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1998

BUDGET SUMMARY



U.S. DEPARTMENT OF AGRICULTURE

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INTRODUCTION

This booklet describes the fiscal year 1998 budget for the U.S. Department of Agriculture (USDA). All references to years refer to fiscal year, except where specifically noted. Throughout the booklet, acronyms are used to refer to the Omnibus Budget Reconciliation Act of 1993 (OBRA of 1993), the Federal Agriculture Improvement and Reform Act of 1996 (1996 Farm Bill), and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Welfare Reform).

The booklet is divided into the following sections:

- Highlights. This section is a brief summary of the most significant 1998 budget proposals for the Department of Agriculture.
- Agency Programs. This section provides agency by agency detail of the 1998 budget proposals.
- Appendix Tables.

Knowledge of the following basic budget terminology will assist the reader in understanding the budget proposals:

- "Program Level" represents the gross value of financial assistance provided to the public by USDA. This assistance may be in the form of grants, guaranteed or direct loans, cost-sharing, professional services such as research or technical assistance activities, or in-kind benefits such as commodities.
- "Budget Authority" is the authority to commit funds of the Treasury. This authority is normally provided by the Congress through appropriations acts. The President's budget requests the Congress to appropriate or otherwise provide an amount of budget authority sufficient to carry out recommended Government programs.
- "Obligations" are specific commitments of Government funds. In order to make a valid obligation, a sufficient amount of unused budget authority must be available to cover the obligation.
- "Outlays" are cash disbursements from the Treasury to satisfy a valid obligation.

Since the primary purpose of this booklet is to describe the programmatic effect of the 1998 budget, the program level concept has been used in most instances. However, there are some cases where other measures are used and the reader should take care to note which measure is being used in any particular subject area.

The reader should also understand that many 1998 estimates are tentative especially for programs that are sensitive to changes in weather or economic conditions. Questions may be directed to the Office of Budget and Program Analysis at (202) 720-6176 or via E-mail at bca@obpa.usda.gov.

PROGRAM LEVEL AND OUTLAYS

UNITED STATES DEPARTMENT OF AGRICULTURE
(Dollars in Millions)

Agency/Program	Program Level			Outlays		
	1997 Current Estimate	1998 Budget	Change 1997 to 1998	1997 Current Estimate	1998 Budget	Change 1997 to 1998
FARM AND FOREIGN AGRICULTURAL SERVICES						
Farm Service Agency:						
Farm Credit Programs	\$3,213	\$2,836	-\$377	\$372	\$324	-\$48
Conservation Reserve Program	1,857	1,926	69	1,858	1,930	72
Other Conservation Programs	35	0	-35	169	37	-132
Commodity Programs	12,397	14,887	2,490	5,253	6,594	1,341
Commodity Credit Corporation Programs	(20,387)	(23,691)	(3,304)	(7,766)	(9,900)	(2,134)
Salaries and Expenses	956	954	-2	772	743	-29
Total, Farm Service Agency	18,458	20,603	2,145	8,424	9,628	1,204
Risk Management Agency:						
Administrative and Operating Expenses .	64	68	4	60	68	8
Crop Insurance Fund	2,583	2,575	-8	1,729	1,758	29
Total, Risk Management Agency	2,647	2,643	-4	1,789	1,826	37
Foreign Agricultural Service:						
Export Credit Guarantees	5,500	5,700	200	431	512	81
Market Access Program	90	90	0	95	90	-5
Export Enhancement Program	100	500	400	100	500	400
Dairy Export Incentive Program	56	89	33	56	89	33
P.L. 480	1,047	990	-57	1,256	998	-258
Food for Progress Program	113	103	-10	108	110	2
Salaries and Expenses	178	183	5	133	152	19
Total, Foreign Agricultural Service	7,084	7,655	571	2,179	2,451	272
Total, Farm and Foreign Agricultural Svcs.	28,189	30,901	2,712	12,392	13,905	1,513
RURAL DEVELOPMENT						
Rural Utilities Service:						
Loans and Grants	2,968	2,977	9	734	693	-41
Salaries and Expenses	67	70	3	67	70	3
Total, Rural Utilities Service	3,035	3,047	12	801	763	-38
Rural Housing Service:						
Rural Housing Loan and Grant Programs	4,108	4,988	880	858	877	19
Rural Community Loan and Grant Programs	218	429	211	24	28	4
Salaries and Expenses	427	414	-13	427	414	-13
Total, Rural Housing Service	4,753	5,831	1,078	1,309	1,319	10
Rural Business-Cooperative Service:						
Loans and Grants	861	779	-82	97	82	-15
Salaries and Expenses	26	31	5	26	31	5
Total, Rural Business-Cooperative Svc.	887	810	-77	123	113	-10
Alternative Agricultural Research & Commercialization Corporation.	7	10	3	8	8	0
Rural Community Advancement Program ..	(2,315)	(2,480)	(165)	(673)	(680)	(7)
Total, Rural Development	8,682	9,698	1,016	2,241	2,203	-38
FUND FOR RURAL AMERICA	100	100	0	25	65	40

PROGRAM LEVEL AND OUTLAYS

UNITED STATES DEPARTMENT OF AGRICULTURE
(Dollars in Millions)

Agency/Program	Program Level			Outlays		
	1997 Current Estimate	1998 Budget	Change 1997 to 1998	1997 Current Estimate	1998 Budget	Change 1997 to 1998
FOOD, NUTRITION, AND CONSUMER SERVICES						
Food and Consumer Service:						
Food Stamp Program	24,912	25,841	929	24,762	25,740	978
Child Nutrition Programs	8,713	8,926	213	8,664	8,900	236
Women, Infants and Children (WIC)	3,975	4,108	133	3,860	3,997	137
Commodity Assistance Program	422	372	-50	436	376	-60
Salaries and Expenses	106	108	2	106	108	2
Total, Food and Consumer Service ...	38,128	39,355	1,227	37,828	39,121	1,293
Section 32 Funds	306	300	-6	67	16	-51
Total, Food, Nutrition, and Consumer Svcs.	38,434	39,655	1,221	37,895	39,137	1,242
NATURAL RESOURCES AND ENVIRONMENT						
Natural Resources Conservation Service:						
Conservation Operations	707	722	15	701	721	20
Watershed & Flood Prevention Operations	90	40	-50	243	70	-173
Other Conservation Cost-Share Programs	36	59	23	169	104	-65
Programs financed by CCC:						
Environmental Quality Incentives						
Program	200	200	0	60	109	49
Wetlands Reserve Program	119	164	45	65	129	64
Other	24	63	39	17	26	9
Total, Natural Resources Conservation						
Service	1,176	1,248	72	1,255	1,159	-96
Forest Service	3,464	3,136	-328	3,508	3,220	-288
Total, Natural Resources and Environment	4,640	4,384	-256	4,763	4,379	-384
FOOD SAFETY						
Food Safety and Inspection Service	663	685	22	577	206	-371
RESEARCH, EDUCATION, AND ECONOMICS						
Agricultural Research Service	731	741	10	728	738	10
Cooperative State Research, Education, and						
Extension Service	850	842	-8	844	841	-3
Economic Research Service	53	54	1	53	54	1
National Agricultural Statistics Service	100	120	20	97	118	21
Subtotal, Research, Education, and						
Economics	1,734	1,757	23	1,722	1,751	29
Construction:						
Agricultural Research Service	69	59	-10	52	53	1
Cooperative State Research, Education, and						
Extension Service	62	0	-62	60	61	1
Total, Research, Education, & Economics	1,865	1,816	-49	1,834	1,865	31
MARKETING AND REGULATORY PROGRAMS						
Agricultural Marketing Service	228	240	12	150	155	5
Animal and Plant Health Inspection Service	525	480	-45	466	481	15
Grain Inspection, Packers & Stockyards Admin.	66	69	3	23	10	-13
Total, Marketing and Regulatory Programs	819	789	-30	639	646	7
DEPARTMENTAL ACTIVITIES						
Departmental Offices	167	174	7	167	176	9
Centrally Financed Activities	161	157	-4	156	173	17
Total, Departmental Activities	328	331	3	323	349	26
Subtotal, USDA	83,720	88,359	4,639	60,689	62,786	2,106
Pre-credit Reform Loan Repayments ...	0	0	0	-2,874	-3,131	-257
Receipts	0	0	0	-861	-876	-15
USDA, TOTAL	\$83,720	\$88,359	\$4,639	\$56,954	\$58,779	\$1,825

HIGHLIGHTS

1998 Funding Overview

Total USDA program level is projected to increase to \$88.4 billion from an estimated \$83.7 billion in 1997. Outlays increase from \$57 billion to \$58.8 billion over the same period. Lower projected interest rates permit growth in the program level with relatively less growth in the level of outlays. The USDA budget is part of an Administration plan to balance the Federal budget by 2002, while still protecting Administration priority programs. The budget includes proposals to strengthen the safety net for farmers and low income populations, provide economic opportunities for rural Americans, protect our natural resources and ensure a safe food supply. At the same time, savings are achieved through continued reductions in employment as a result of Departmental streamlining, implementation of welfare reform legislation, selected program reductions and the shift of certain programs from Federal funding to user fees.

Discretionary program outlays, about \$15.2 billion in 1998, or one-fourth of the USDA outlay level, include the Special Supplemental Nutrition Program for Women, Infants and Children (WIC); rural development; meat, poultry and egg products inspection; research and technical assistance; soil and water conservation; management of the National Forests; and domestic and international marketing assistance.

Mandatory programs account for the remaining three-fourths of USDA outlays, \$43.6 billion in 1998. These programs provide services as required by law and include the majority of the food assistance programs, commodity programs, and a number of conservation programs.

Reorganization/Streamlining

Congress authorized the reorganization of the U.S. Department of Agriculture in October 1994. As a result, the Department has established seven mission areas, consolidated 43 agencies into 30 along mission lines and restructured the headquarters staff offices. In addition to the changes in headquarters, USDA is also proceeding with the restructuring of field office locations and services.

As part of the reorganization and streamlining efforts, the Department will reduce its Federal employment by almost 16,400 staff years and projects cumulative savings of \$8 billion by 2002. Actual progress in achieving this plan is ahead of schedule and the savings that result from lower employment levels and other streamlining efforts are reflected in the Department's budget. (See page 13).

The following pages provide highlights of the 1998 budget by mission area. More detailed information is provided under the relevant sections of this document.

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Farm and Foreign Agricultural Services

Recent changes in Federal farm programs, the ever-changing financial climate facing producers and farmers, and continued weather-related stresses make providing a viable safety net to farmers more critical now than ever. The Department's 1998 budget includes a proposal to improve the safety net for farmers by expanding the revenue insurance program nationwide and generally improving the efficiency of its risk management programs. The proposal would also make some changes to USDA farm credit programs, provide farmers the ability to extend the amount of time they can keep commodities under loan if adverse market conditions exist and continue the Administration's commitment to provide export opportunities to enhance farm income for U.S. producers. The budget also reflects the Administration's goal to enroll 36.4 million acres into the Conservation Reserve Program by 2002, the maximum level set by the 1996 Farm Bill.

Risk Management Agency. In 1998, the Department proposes nationwide expansion of the revenue insurance program, which was authorized as a pilot program in the 1996 Farm Bill. Revenue insurance protects producers from fluctuations in price and yield by guaranteeing an estimated harvest price at an average yield. Managing price risk has become a high priority for farmers given the 1996 Farm Bill's phase-out of many of USDA's traditional price and income support programs. The 1998 budget also contains several legislative proposals to improve the administration of the crop insurance program including proposals for more flexibility in establishing pilot programs, establishing processing fees for review of products submitted by private insurance companies and providing authority to strengthen certain compliance measures.

The Department will also be playing a critical role in educating farmers about the risk management tools available to them in addition to educating them about other market products using the Internet, and other outreach mechanisms through the private sector. High priority will be given to educating beginning farmers, who are the most vulnerable to unfavorable market and weather conditions, as well as improving their access to farm programs. (See page 25.)

International Programs. The 1998 budget continues the Administration's commitment to export promotion and growth by providing a total program level of nearly \$7.7 billion for the Department's international programs and activities. For the Commodity Credit Corporation (CCC) export credit guarantee programs, the budget includes a total program level of \$5.7 billion, an increase of \$200 million above 1997 for CCC export credit guarantees to be made available to emerging markets. The budget provides \$90 million for the Market Access Program, unchanged from 1997. For the Export Enhancement Program, the budget provides a program level of \$500 million, an increase of \$400 million above 1997 and the maximum level permitted by the 1996 Farm Bill. A higher program level is also provided for the Dairy Export Incentive Program based on a projected increase in export sales activity. A total program level of \$990 million is provided for P.L. 480 foreign food assistance; this is expected to continue commodity shipments at the current estimate for 1997 of 3.2 million metric tons. For the Foreign Agricultural Service

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(FAS), the budget requests a total program level of \$183 million, including appropriated funding of \$151 million. (See page 27.)

Conservation Reserve Program (CRP). CRP makes annual rental payments to producers to retire environmentally sensitive lands from production, usually for a period of ten years. The 1996 Farm Bill made several changes in the CRP to extend, simplify and refocus the program. Contracts on about 21 million acres will expire in 1997 when USDA will hold a general signup to begin to replace these acres using the new program rules developed to implement the Farm Bill changes. A continuous signup is now underway to enroll acreage in high priority practices such as filter strips, riparian buffers, grassed waterways and shelter belts. The Administration's goal is ultimately to reach and then maintain the 36.4 million acre level permitted by Congress in the 1996 Farm Bill. (See page 18.)

Commodity Credit Corporation (CCC) Spending. CCC outlays last year were the lowest since 1981. They have steadily declined from a high of almost \$26 billion in 1986 to less than \$5 billion in 1996. Including conservation programs for which CCC funding was newly authorized in the 1996 Farm Bill, total CCC outlays are projected to total \$7.8 billion in 1997 and \$9.9 billion in 1998. The higher level in 1998 reflects increased lending activity and interest expenses and higher levels for conservation and export programs. Further, the net amount of income support payments increases from \$5.2 billion in 1997 to \$5.7 billion in 1998. The increase is consistent with the pattern of expenditures set by the Farm Bill, and reflects refunds in 1997 of \$1.1 billion in unearned deficiency payments on the 1995 crop. (See page 19.)

Rural Development

Program Funding. The budget provides an estimated \$9.2 billion in direct loans, loan guarantees, grants and technical assistance -- about \$1 billion more than the 1997 Appropriation Act. Notwithstanding tight budget resources, the Administration remains strongly committed to ensuring that rural Americans have the ability to take advantage of the same opportunities for economic growth that exist in urban areas.

The 1998 budget will support a number of Administration initiatives, including Water 2000 which is targeted to the estimated 2.5 million rural Americans who have some of the nation's most serious drinking water problems, the National Homeownership Initiative, Empowerment Zones and Enterprise Communities (EZ/EC), and the Information Superhighway Initiative.

The Department proposes to target assistance toward those rural Americans and communities most in need based on income, persistent poverty and other factors. The budget also provides a substantial amount of assistance, particularly in terms of loan guarantees, for those who can afford to obtain financing from the private sector but may not find it available to them. (See page 36.)

Fund for Rural America. The 1996 Farm Bill established the Fund for Rural America to provide support to rural communities across the United States. It provided that \$100 million be made available on January 1, 1997 for use by the Fund. The Secretary

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of Agriculture is authorized to allocate the available funding between rural development and research activities with the specification that at least one-third of the funds be allocated to rural development activities and one-third to research activities. The 1998 budget includes a proposal to make available in 1998 the \$100 million provided in 2000 by the 1996 Farm Bill.

In 1997, the Secretary plans to use \$47 million of the available funding to support rural development activities including Water 2000, Section 502 Single Family Housing Loans, the Distance Learning/Medical Link programs and other rural development loans and grants. Another \$46 million will be used to provide research, extension, and education grants. Of the \$46 million, \$33.3 million will be allocated to projects designed to: 1) increase international competitiveness, profitability and efficiency; 2) enhance the economic standing of rural communities; and 3) improve environmental stewardship. An additional \$10 million will be allocated to research activities which focus specifically on the development of methods to counter increasing concentration within the livestock and poultry industries. The remaining \$3 million will be for a new research initiative that will investigate the special needs and uses of cutting-edge technologies for rural and agricultural based information. Finally, \$7 million will be used to fund additional loans under the Beginning Farmer Loan program and additional grants for Outreach for Socially Disadvantaged Producers. (See page 97.)

Rural Community Advancement Program (RCAP). This program combines funding for a number of the Department's rural development programs as authorized in the 1996 Farm Bill and patterned on the Administration's earlier Performance Partnership Proposal. RCAP authorizes Rural Development State Directors to transfer up to 25 percent of the funding available for the fiscal year among three program areas: community facility assistance, rural utilities (primarily, water and waste disposal loans and grants), and rural business assistance. RCAP also provides 5 percent of funds to the States as block grants with another 5 percent for grants on a matching basis. (See page 38.)

Food, Nutrition, and Consumer Services

The Department's 1998 budget includes a program level of \$39.7 billion for food and nutrition assistance programs for needy Americans. These funds are vital to protecting the nutritional safety net which helps to ensure that all needy Americans, especially children, receive food and nutrition assistance. The 1998 budget reflects changes made by the 1996 Welfare Reform legislation and includes a new legislative proposal to moderate some of the harshest impacts of Welfare Reform. (See page 49.)

Food Stamps. The 1998 budget includes \$25.8 billion for the Food Stamp Program. This program level will support an estimated 23.4 million participants, and will permit the Department to aggressively fight fraud and continue implementation of the Electronic Benefit Transfer (EBT) system. Also funded in this request is the Food Distribution Program on Indian Reservations, Nutrition Assistance to Puerto Rico, Nutrition Assistance to American Samoa, and the Community Food Projects. A contingency reserve of \$2.5 billion is also proposed to allow for unexpected increases in food costs.

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Child Nutrition Programs. The request reflects an increase of \$213 million for Child Nutrition Programs for a total of \$8.9 billion. This increase includes funding for food cost inflation and participation increases in free meals and entitlement commodities. The budget will also allow the Department to implement measures to ensure program integrity and continue Team Nutrition for healthy children. Team Nutrition is a nationwide initiative designed to help implement the Dietary Guidelines for Americans as mandated by Public Law 103-448.

Special Supplemental Nutrition Program for Women, Infants and Children (WIC). The budget request for the WIC program for 1998 is \$4.1 billion, an increase of \$133 million above the level provided in 1997 with the proposed \$100 million supplemental. This will continue the Administration's commitment to full funding for this program, enabling it to continue growing to an estimated average participation of 7.45 million in 1998 and to 7.5 million participants by the end of 1998. In order to ensure that unexpected food cost increases do not interfere with this goal, a \$100 million contingency reserve is proposed for unforeseen food price increases or changes in economic conditions.

Natural Resources and Environment

Natural Resources Conservation Service. The Administration's budget will enable it to carry out the most progressive conservation program in history. Total funding requested in 1998 for the Natural Resources Conservation Service will amount to over \$1.2 billion, an increase over 1997 of \$72 million. The Administration continues to place a high priority on the protection and restoration of wetlands and the 1998 budget supports these goals with a \$164 million request to enable NRCS to enroll 212,000 acres of wetlands into the Wetlands Reserve Program. This would be in addition to the nearly 443,000 acres that are estimated to be enrolled in the program by the end of fiscal year 1997. The overall enrollment level for the program, as permitted by current law, is 975,000 acres by the end of calendar year 2002. (See page 53.)

Forest Service. The total program level for the FS is projected to decline by \$328 million in 1998, largely due to lower estimated spending for fire suppression. Any fire suppression needs for the FS beyond the proposed appropriation would be accommodated from a proposed Governmentwide emergency contingency account. In terms of discretionary funding for the FS, which includes funding for the President's Northwest Forest Plan, the budget proposes \$2.4 billion which is an increase of \$7 million over the 1997 level. The National Forest System (NFS) is funded at \$1.3 billion, including \$208 million for Timber Sales Management to support a timber sales program of 3.8 billion board feet. Funding for Wildland Fire Management is \$514 million which includes \$211 million for fire suppression activities and \$303 million for presuppression. Subsequent fire suppression needs are to be funded through a proposed Governmentwide emergency contingency account. Funding decreases of \$35 million for mandatory programs reflect the anticipated reduction in Knutson-Vandenberg trust fund receipts due to reduced timber sales. (See page 58.)

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Northwest Forest Plan. The Northwest Forest Plan identifies and protects key watersheds, old-growth forests, and numerous wildlife species within the range of the northern spotted owl. Logging will be permitted in areas outside the reserves and in Adaptive Management Areas, where resource managers and local communities are encouraged to develop innovative approaches to achieving conservation objectives. Before timber sales can be offered in most areas, watershed assessments must be completed, and there will be an extensive monitoring program to ensure that the Plan's standards and guidelines are being met. The Plan also provides technical and economic assistance to communities and individuals who have been dependent on Federal timber supplies.

Governmentwide Emergency Contingency Fund. The 1998 budget proposes a Governmentwide emergency contingency fund. The FS may use this account for fire suppression needs once all appropriated funds have been obligated. This fund may also be used by FSA and NRCS to respond to cropland and watershed damage from floods and other disasters.

Food Safety

Since 1993, the Food Safety and Inspection Service (FSIS) has improved the safety of meat and poultry products by requiring instructional cooking and handling labels on raw meat and poultry products and initiating a nationwide *E. coli* sampling program in federally inspected plants and retail stores that process raw ground beef. Most importantly, FSIS has begun implementing modernized inspection that is science based and founded on Hazard Analysis and Critical Control Point (HACCP) systems, with an emphasis on process control and testing for bacteria in plants that slaughter and process meat and poultry. HACCP systems will replace a command and control, "sight and smell" system that has not changed significantly over the last 100 years. For 1998, the budget proposes a total program level of \$685 million, a \$22 million increase over the 1997 current estimate.

USDA will continue its emphasis on ensuring Americans have the safest food supply in the world. Communicating with the public on safe handling of raw product will also continue to be a priority as well as identifying pathogens and determining where they enter into the production and slaughtering of animals.

Since FSIS is required to accommodate an ever growing demand for inspection services while investing more in resources in designing and implementing alternative inspection systems within a limited pool of Federal funding, it is appropriate that industry be asked to bear a greater share of the cost of providing inspection services. Therefore, the budget is proposing that the industry be required to pay for the cost of salaries and benefits for in-plant inspection necessary to meet the demand for such services without being subject to annual budget pressures. Such a system will ensure that inspection services will be available to meet industry needs.

This proposal would generate an estimated \$390 million in new revenues. FSIS would continue to seek approximately \$200 million in appropriated funding for administering the

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program, including critical food safety initiatives, such as microbiological testing, technology development, and epidemiology and emergency response functions. The Federal Government would also continue to reimburse those States administering their own inspection programs for up to 50 percent of the cost of administering those programs. (See page 63.)

Research, Education, and Economics

Total funding for the Research, Education, and Economics (REE) mission area agencies is \$1.8 billion for 1998. The programs of the REE mission area continue to support the high priority goals of the Administration to promote responsible natural resource management practices, improve the safety of food available to consumers, enhance the economic opportunities for U.S. agriculture, and to protect the competitiveness of U.S. agricultural and forestry products in the global economy. The Agricultural Research Service (ARS) budget includes a net increase for research of \$10 million above the 1997 level. A total of \$59 million is included in the budget for construction work at nine priority ARS facilities. The 1998 budget for the Cooperative State Research, Education, and Extension Service (CSREES) includes a \$36 million increase for the National Research Initiative competitive grants program, for a total program of \$130 million. Basic support for university research and extension through formula grants is maintained, but there are proposed reductions in selected programs in order to support several high priority research and extension initiatives of the Administration. (See page 66.)

Food Safety. The Administration's food safety initiative encourages widespread involvement of industry, government, and consumers to ensure safety of food from the farm to the table. It provides funds to support research on technology for the HACCP inspection system being implemented by the Food Safety and Inspection Service. Research which addresses chemical, biological, and physical factors will be supported by a CSREES competitive food safety research and extension grants program. The initiative will receive a total of \$8 million of REE funds. In addition, \$1.1 million is proposed in FSIS funding for increased data collection on food-borne illness and HACCP training.

Nutrition. The budget proposes an increase of \$12 million for the Department's Human Nutrition initiative, with increases each year until the Initiative reaches \$53 million in 2002. Funding at this level will make full use of the capacity of the system of human nutrition laboratories in ARS. The 1998 increase will be used to gain a better understanding of the link between diet and cognitive development in children, and the impact of prenatal and early childhood nutrition on physical and intellectual health in later life. The proposed research will also provide knowledge of nutritional needs of at-risk Americans, and the role of beneficial food compounds in preventing human disease. Additional funds will also support a survey of dietary intakes of infants and children in order to determine the risk of exposure to pesticides in the diet.

Integrated Pest Management. The budget includes funds for USDA to continue implementation of the Department's Integrated Pest Management Initiative, a cooperative effort to develop IPM strategies and implement IPM methods on 75 percent of crop acres by the year 2000. The ARS budget includes \$4 million for area-wide IPM pilot testing and

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research on host-plant resistance and biological control. The budget for CSREES includes increases for competitive research and extension grants to develop and implement reduced chemical and biological controls of pests. For the Economic Research Service, the budget includes an increase to support analyses of the relationships among adoption of conserving farm practices, economic incentives, and environmental protection. (See page 99.)

Emerging Infectious Diseases. As part of the Administration's Emerging Infectious Diseases Initiative, the budget includes an increase of \$5 million to develop methods to reduce the losses to U.S. crops and commodities caused by disease. Resistant varieties and rapid detection methods will be pursued to alleviate the threat from emerging domestic and exotic diseases of plants and livestock.

Census of Agriculture. The National Agricultural Statistics Service budget includes an increase of \$18.5 million for a total of \$36.3 million for the Census of Agriculture, which has previously been conducted by the Bureau of the Census of the Department of Commerce. Funding will support final preparation for the Census as well as data collection and processing, which is to be conducted beginning in early 1998.

Marketing and Regulatory Programs

The 1998 budget proposes a program level of \$789 million for the Marketing and Regulatory Programs, a reduction of \$30 million from the 1997 level. Funding for important programs, including the Agricultural Quarantine Inspection Program, Pesticide Data Program, and monitoring of meat packer competition is increased. (See page 81.)

Livestock Concentration. To ensure that family farmers get a fair price for their products, the Secretary created an advisory committee comprised of producers, industry representatives, and academicians to investigate the effects of concentration and various pricing arrangements in the meat packing industry on producers' prices. GIPSA is beginning to implement the committee's recommendations.

Pesticide Data Program (PDP). The budget proposes \$10.2 million to collect and analyze data on pesticide residues through the PDP. PDP develops comprehensive information on pesticide residues in fruits, vegetables and other food products for use in dietary risk assessments conducted by the Environmental Protection Agency and other government agencies. In 1997, Congress provided funding for pesticide residue data collection and analysis within EPA. The 1998 budget proposes to restore funding to AMS, where the program was operated in previous years, since AMS is in a unique position to conduct the program in cooperation with State departments of agriculture. (See page 82.)

User and License Fees. Legislation will be proposed to recover the cost of providing services where there is a direct benefit to the industry or user and to increase flexibility for user fee program managers to meet demands for such services. New fees are proposed for administering marketing agreements and orders; inspecting facilities for compliance with animal welfare regulations; providing licensing, inspection and testing for animal biologics; pink bollworm; Swine Health Protection Act programs; issuing permits

HIGHLIGHTS

for biotechnologically derived products; conducting grain standardization activities; and providing financial protection under the Packers and Stockyards Act.

Animal and Plant Health Inspection Service. The 1998 budget proposes a program level of \$480 million. Within the total, a \$5 million increase is provided to enhance the agency's pest detection efforts to prevent infestations of exotic pests. A major portion of the increase would fund activities to monitor wheat producing areas for the presence of Karnal bunt. Reductions in other areas reflect program successes in many pest and disease management programs such as the brucellosis program, increased cost-sharing for ADC operations and transferring more responsibilities of eradicating boll weevil to cotton producers.

Other Proposals

Office of the Chief Information Officer. In order to provide a Departmental focus for information resources management issues, the Secretary established the Office of the Chief Information Officer for USDA. This Office provides long-range planning guidance, implements measures to ensure that technology investments are economical and effective and implements standards to promote information exchange and technical interoperability. (See page 92.)

Agricultural Weather. The 1998 budget includes \$0.9 million in additional funding for agricultural weather activities. This includes \$0.4 million for the national agricultural weather observing network. This network, to be operated in partnership with state agencies, universities and the private sector, will provide the comprehensive data needed to serve the needs of farmers and land managers and to expedite decisions at the Federal level affecting agricultural commodity trade and markets, fire weather management, and ecosystem conservation. (See page 93.)

21st Century Production Agriculture. The budget provides \$1.1 million to fund the Commission on 21st Century Production Agriculture as authorized by the 1996 Farm Bill. The Commission will conduct a comprehensive review and assessment of the 1996 Farm Bill and a review of the future of production agriculture in the U.S. and the appropriate role of the Federal Government in support of production agriculture. (See page 94.)

Hazardous Waste. The 1998 budget proposes \$25 million for Hazardous Waste Management, an increase of \$9 million over 1997. These funds will be directed to priority sites which have been identified based on risk to public health and the environment as well as assuring the Department's compliance with applicable laws. (See page 96.)

REORGANIZATION/STREAMLINING

The reorganization of the U.S. Department of Agriculture was authorized by Congress in October 1994. As a result, the Department has established seven mission areas, consolidated 43 agencies into 30 along mission lines and restructured the headquarters staff offices.

USDA's initial reorganization and streamlining have resulted in significant staff year reductions. By the end of 1996, USDA was ahead of schedule and had reduced its staff years to 100,710, a reduction of over 7,000 staff years below the Reorganization Plan, more than 13,800 below the 1993 level of 114,542. Staff year reductions were primarily accomplished through normal attrition and the use of special personnel authorities such as early outs and buyouts. Also, the Department reduced headquarters staff by 16.5 percent from 1993 to 1996.

In addition to the restructuring of headquarters, USDA committed to a restructuring of the county based field office locations and services and to establish USDA Service Centers. While there will be fewer field offices, the end result will be more efficient service for farmers and other customers at a lower cost to the taxpayer. To date, USDA has moved or closed about 1,300 county-based field locations since December 1994. In addition, USDA will conduct further studies in 1997 to examine additional opportunities for greater efficiencies in these delivery systems, and will undertake an initiative to significantly cut the paperwork burden on farmers. The number of field office "service centers" is now expected to be 2,000 by the end of 1999.

In addition to the Service Center initiative, several other USDA agencies with field structures are closing and consolidating offices and laboratories. These agencies include the Agricultural Marketing Service; Animal and Plant Health Inspection Service; Food Safety and Inspection Service; Grain Inspection, Packers and Stockyards Administration; Food and Consumer Service; Office of the General Counsel; and the Agricultural Research Service.

REORGANIZATION/STREAMLINING

United States Department of Agriculture Staff Year Estimates

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>2002</u>	<u>Change 1993 - 2002</u>	<u>Percent</u>
	<u>Base</u>							<u>Amount</u>	
Reorganization Plan:									
Federal Staffing	114,542	110,065	108,894	108,053	105,968	103,917	100,950	-13,592	-11.9%
County Office Staffing									
Non-Federal	14,953	14,176	13,765	13,765	13,765	13,765	13,765	-1,188	-7.9%
Total	129,495	124,241	122,659	121,818	119,733	117,682	114,715	-14,780	-11.4%
Current Progress/Estimate:									
Federal Staffing	114,542	110,065	103,955	100,710	101,656	99,866	98,189	-16,353	-14.3%
County Office Staffing									
Non-Federal	14,953	14,176	13,432	12,738	11,729	9,879	4,879	-10,074	-67.4%
Total	129,495	124,241	117,387	113,448	113,385	109,745	103,068	-26,427	-20.4%

FARM AND FOREIGN AGRICULTURAL SERVICES

MISSION

The mission of the Farm and Foreign Agricultural Services (FFAS) area is to ensure the well-being of U.S. agriculture through delivery of farm programs, strengthen crop insurance and other risk management programs, and improve trade opportunities to raise farm income. The FFAS agencies include the Farm Service Agency (FSA), the Risk Management Agency (RMA), and the Foreign Agricultural Service (FAS). The Commodity Credit Corporation (CCC) is the source of funding for most of the conservation and commodity programs administered by FSA and the CCC export programs administered by FAS.

FARM SERVICE AGENCY (FSA)

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Farm Credit Programs	\$2,688	\$3,213	\$2,836
Conservation Programs	1,832	1,892	1,926
Commodity Programs	12,327	12,397	14,887
Salaries and Expenses	993	956	954
Total, FSA	<u>\$17,840</u>	<u>\$18,458</u>	<u>\$20,603</u>
Total, Commodity Credit Corporation .	<u>\$15,913</u>	<u>\$20,387</u>	<u>\$23,691</u>

The FSA administers the domestic commodity price and income support programs; farm ownership, operating, emergency, and disaster loan programs; and the Conservation Reserve Program (CRP).

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Farm Service Agency
Farm Credit Programs
Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	1996 Actual		1997 Current Estimate		1998 Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Farm Operating Loans:						
Guaranteed Unsubsidized . . .	\$1,125	\$12	\$1,746	\$19	\$1,700	\$20
Guaranteed Subsidized	191	17	203	19	200	20
Direct	567	74	470	59	450	30
Total, Operating Loans . . .	1,883	103	2,419	97	2,350	70
Farm Ownership Loans:						
Guaranteed Unsubsidized . . .	535	20	598	22	400	15
Direct	89	14	28	6	31	4
Total, Ownership Loans . . .	624	34	626	28	431	19
Emergency Loans	178	81	117	a/ 6	25	6
Indian Land Acquisition Loans .	1	b/	b/	b/	1	b/
Credit Sales of Acquired Property	0	0	14	3	25	3
Boll Weevil Eradication	0	0	35	b/	0	0
State Mediation Grants	2	2	2	2	4	4
Total, Farm Credit Programs	\$2,688	\$220	\$3,213	\$136	\$2,836	\$102

a/ Includes supplemental funds.

b/ Less than \$0.5 million.

Programs in this area provide direct loans and loan guarantees to family farmers who cannot obtain credit elsewhere. Certain statutory requirements target a portion of the farm operating and farm ownership programs to beginning and socially disadvantaged farmers. There also are statutory limitations on the size of these loans. Credit sales refer to Agency financing of sales of properties in inventory which had been acquired through foreclosures and other actions.

Delinquent borrowers are entitled, under law, to certain servicing actions including loan write-offs and write-downs. Such actions, as well as voluntary conveyances and debt settlements, have resulted in substantial losses. Most of these losses are attributable to loans that could not be repaid because of the farm credit crisis that occurred in the mid-1980's. Recent lending practices have been tightened to place more emphasis on repayment ability in order to reduce the risk of future losses.

FARM AND FOREIGN AGRICULTURAL SERVICES

The 1998 budget continues the trend toward more reliance on guaranteed loans, while maintaining a limited amount of direct loan activity for borrowers who cannot be served through the guaranteed programs. The budget also includes \$25 million for credit sales. Funding for this program will assist sales to beginning farmers, who have a priority, under law, for purchasing inventory property.

Program levels are estimates of the amount that can be supported with the budget authority provided, which reflects the subsidy cost. These estimates are subject to change as interest rates and other factors change.

Farm Service Agency Conservation Programs Program Level (Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Conservation Reserve Program:			
Appropriated Funds	\$1,725	\$83	\$23
Commodity Credit Corporation <u>a/</u> . . .	<u>2</u>	<u>1,774</u>	<u>1,903</u>
Subtotal	1,727	1,857	1,926
Other:			
Agricultural Conservation Program . .	75	0	0
Emergency Conservation Program . .	30	25	0
Flood Risk Reduction Program	<u>0</u>	<u>10</u>	<u>0</u>
Total, Conservation Programs . . .	<u>\$1,832</u>	<u>\$1,892</u>	<u>\$1,926</u>

a/ CRP program level in 1998 reflects estimated annual savings of \$25 million from proposed legislation which would allow haying and grazing of CRP acreage at reduced rental rates.

FSA administers the Conservation Reserve Program (CRP). The 1996 Farm Bill changed the funding for the CRP from annual appropriations to the Commodity Credit Corporation (CCC) and combined the Agricultural Conservation Program (ACP) and several other cost-share conservation programs into the Environmental Quality Incentives Program (EQIP). Funding for EQIP and other conservation programs established in the 1996 Farm Bill and administered by the Natural Resources Conservation Service (NRCS) is also provided through the CCC. (See page 56.)

FARM AND FOREIGN AGRICULTURAL SERVICES

Conservation Reserve Program (CRP). The CRP offers producers annual rental payments for a 10- to 15-year period to remove highly erodible cropland and other environmentally sensitive land from production. Participants also receive cost-share help to establish long-term resource-conserving cover. Currently, about 33 million acres are enrolled in the program.

The 1996 Farm Bill made several changes to CRP in addition to authorizing funding from the CCC. First, new signups were authorized through 2002 to maintain enrollment of up to 36.4 million acres. Previously, budget and appropriations provisions limited signups to replacing acres which had expired or been terminated early. Second, the legislation expanded authorized uses of conservation and environmental priority areas to target conservation program funding. Third, legislation established unilateral early termination authority applicable to certain acreage under CRP contract.

The 1998 budget, incorporating the new signup authority, voluntary early release, and other legislative provisions of the 1996 Farm Bill, projects a 36.4 million acre enrollment level by 2002. Signup 14, announced June 13, 1996, is a continuous signup for acreage to be placed in high priority practices such as filter strips, riparian buffers, grassed waterways, and shelter belts. Signup 15, the 1997 signup, is expected to be held in late winter after the final CRP rule implementing the long-term CRP policy is published in the Federal Register.

Agricultural Conservation Program (ACP). As noted earlier, the 1996 Farm Bill combines the ACP and three other cost-share programs (the Colorado River Basin Salinity Control Program, Agricultural Water Quality Incentives Program, and the Great Plains Conservation Program) into the Environmental Quality Incentives Program (EQIP).

Emergency Conservation Program (ECP). Under this program, the Department shares the cost of carrying out practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters. In particular, it addresses those problems which if left untreated would 1) impair or endanger the land; 2) materially affect the productive capacity of the land; 3) be so costly to rehabilitate that Federal assistance would be required to return the land to productive agricultural use; and 4) represent damage that is unusual in character and not the type which would recur frequently in the same area. The ECP program was funded at \$25 million in 1997.

Flood Risk Reduction Program. The 1996 Farm Bill provides authority for the Secretary to enter into a contract with a producer who has contract acreage in the production flexibility program that is frequently flooded. Producers can receive in advance as much as 95 percent of the projected production flexibility contract payments the producer would otherwise have received from the time of enrollment in the Flood Risk Reduction Program through September 30, 2002. In return, producers must terminate their production flexibility contract with respect to the enrolled acreage, comply with swampbuster and conservation compliance provisions, and forego future disaster payments, crop insurance payments, conservation program payments, and loans for contract commodities, oilseeds, and extra long staple cotton. The program is funded at \$10 million in 1997.

FARM AND FOREIGN AGRICULTURAL SERVICES

Farm Service Agency Commodity Program Outlays (Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Commodity:			
Feed Grains	\$2,404	\$3,062	\$3,129
Wheat	1,491	1,362	1,538
Rice	499	534	494
Upland Cotton	685	667	751
Tobacco	-496	-711	145
Dairy	-98	82	110
Soybeans	-57	47	36
Peanuts	100	3	<u>a/</u>
Honey	-14	-2	0
Wool and Mohair	55	0	0
Other <u>b/</u>	-142	-80	-91
Subtotal	4,427	4,964	6,112
Disaster Assistance	95	48	0
Working Capital	111	250	250
Interest, Operating and Other	288	-9	232
Total, Commodity Programs	<u>\$4,921</u>	<u>\$5,253</u>	<u>\$6,594</u>

a/ Less than \$0.5 million.

b/ Includes minor oilseeds, vegetable oil products, extra long staple cotton, and sugar.

Commodity price and income support programs are administered by FSA and financed through the CCC. These commodity programs were changed dramatically by provisions of the 1996 Farm Bill. In the past, commodity programs have functioned as shock absorbers to offset the effects of fluctuations in commodity prices on farm income. Deficiency payments for producers of feed grains, wheat, cotton and rice were tied to market prices and decreased when market prices were high and increased when market prices were low. The 1996 Farm Bill replaced deficiency payments with fixed production flexibility contract payments.

The production flexibility contract payments, based on historical program acreage and yields, are set by law for each of the seven years, from 1996-2002, and do not vary with market prices or current plantings. Under previous law, the Secretary had the authority to require farmers to idle a portion of their cropland to earn deficiency payments. Under

FARM AND FOREIGN AGRICULTURAL SERVICES

the 1996 Farm Bill, the Secretary no longer has such authority. Further, under flexibility provisions of the Farm Bill, farmers are free to plant any crop (with the exception of limitations on fruits and vegetables) on their cropland without a reduction in contract payments, as long as the producer remains in compliance with highly erodible land and wetland conservation requirements.

While the nonrecourse loan programs for contract crops have been retained and continue to provide producers with some protection against sharp declines in market prices, the changes in the income support programs have diminished the traditional role of the farm programs as a buffer against fluctuations in production and commodity prices. These changes underscore the importance of crop insurance programs that help farmers manage production risk. For producers of crops for which crop insurance is unavailable, the Noninsured Assistance Program (NAP), administered by FSA and funded through the CCC, provides coverage against catastrophic losses where area-wide crop losses exceed 35 percent of normal yields.

This Administration has assigned a high priority to enactment of legislation that will build better programs to help farmers manage risk and thereby improve the safety net for farmers. The budget proposes legislation which will provide discretionary authority to extend commodity loans for 6 months during periods of severe market disruptions, allow for managed haying and grazing of CRP, increase fruit and vegetable planting flexibility for acreage enrolled in production flexibility contracts, and provide greater flexibility in the timing of production flexibility contract payments. Legislation will also be proposed to expand revenue insurance coverage and improve farm credit services.

The 1996 Farm Bill also modified price support provisions for dairy, sugar, and peanuts. Dairy price supports are to be phased out and marketing orders are to be reformed and consolidated. Loan forfeiture fees effectively reduced sugar loan rates, marketing assessments were increased, and marketing allotments eliminated. The peanut program was made no-net-cost (program costs may not exceed program receipts), the minimum national peanut poundage quota was eliminated, and the quota loan rate was reduced.

FARM AND FOREIGN AGRICULTURAL SERVICES

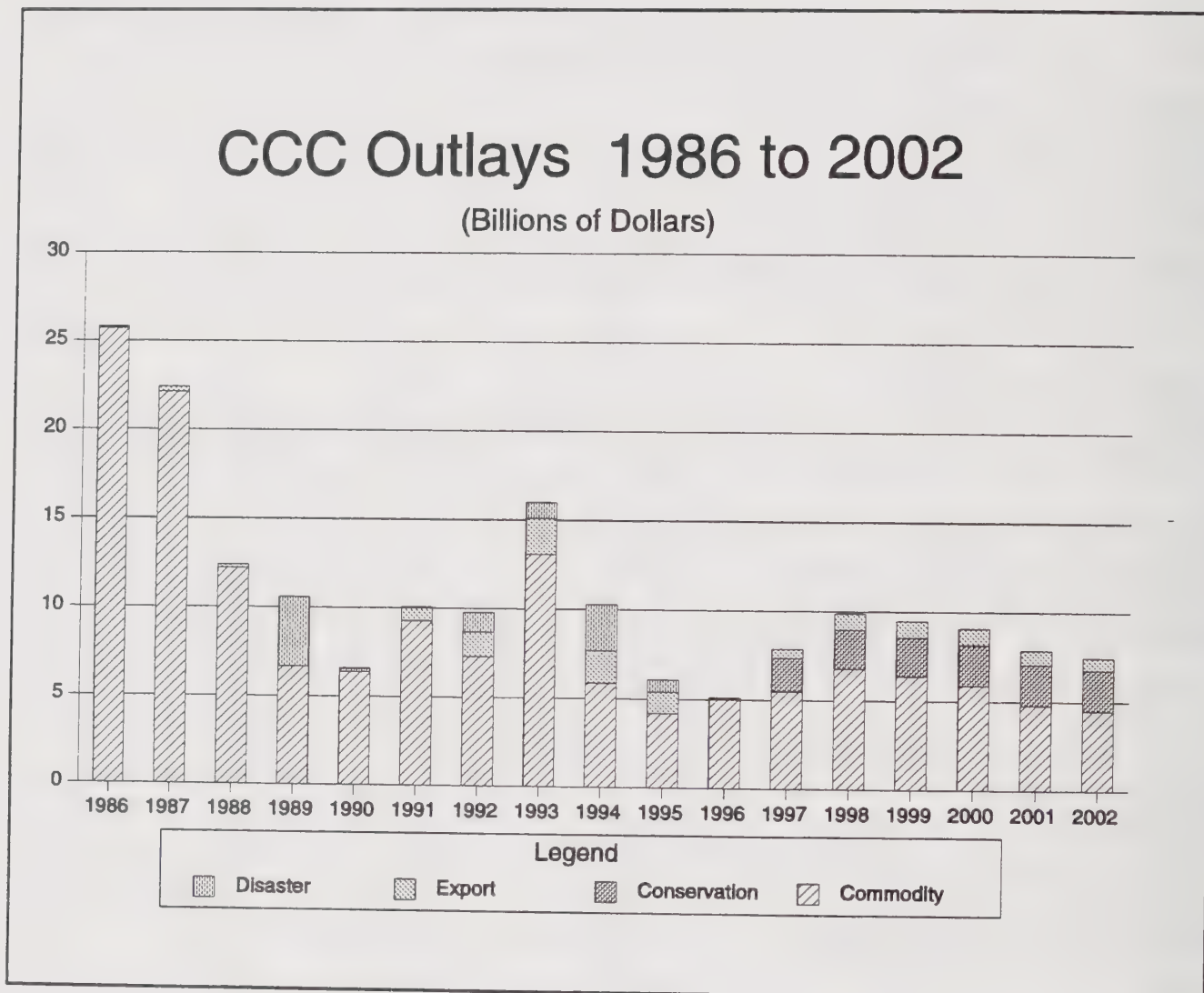
Farm Service Agency Commodity Credit Corporation (Dollars in Millions)

Program	Program Levels		Net Outlays	
	FY 1997	FY 1998	FY 1997	FY 1998
Commodity Programs:				
Price Support Loans	\$6,174	\$7,922	-\$233	\$234
Production Flexibility Contracts	6,350	5,706	6,350	5,706
Deficiency Payments	-1,128	0	-1,128	0
Noninsured Assistance Payments	63	60	63	60
Disaster Assistance	48	0	48	0
Purchases and Sales	600	567	-71	0
Interest Expenditures	92	359	-157	140
Other	198	273	381	454
Subtotal	12,397	14,887	5,253	6,594
Conservation Programs:				
Conservation Reserve Program	1,774	1,903	1,774	1,903
Wetlands Reserve Program . .	119	164	65	129
Environmental Quality Incentives	200	200	60	109
Other	28	55	27	26
Subtotal	2,121	2,322	1,926	2,167
Export Programs:				
Export Credit	5,500	5,700	219	340
Market Access Program	90	90	95	90
Export Enhancement Program	100	500	100	500
Food For Progress Program .	113	103	108	110
Other	66	89	65	99
Subtotal	5,869	6,482	587	1,139
Total, CCC	\$20,387	\$23,691	\$7,766	\$9,900

The Commodity Credit Corporation (CCC) is the source of funding for commodity programs administered by the Farm Service Agency, conservation programs administered by the Farm Service Agency and the Natural Resources Conservation Service, and export programs administered by the Foreign Agricultural Service. The CCC borrows funds needed to finance these programs from the U.S. Treasury and repays the borrowings, with interest, from receipts and from appropriations provided by Congress.

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Total CCC spending and the mix of programs funded by the CCC have changed in recent years. Export program outlays have decreased somewhat from peak levels of the mid 1990s, and spending for *ad hoc* disaster assistance has been eliminated. The share of CCC spending for commodity programs declined as CCC funding was authorized for export, conservation, and other programs.



CCC outlays last year were the lowest since 1981. They have declined from a high of almost \$26 billion in 1986 to less than \$5 billion in 1996. Including conservation programs and other programs for which CCC funding was newly authorized in the 1996 Farm Bill, CCC outlays are projected to total \$7.8 billion in 1997 and \$9.9 billion in 1998. The increase from 1997 to 1998 reflects an increase in income support payments, an increase in outlays for lending activities and increased spending projected for the conservation and export programs.

The net amount of income support payments increases from \$5.2 billion in 1997 to \$5.7 billion in 1998. The increase is consistent with the pattern of expenditures set by the 1996 Farm Bill, and reflects refunds in 1997 of \$1.1 billion in unearned deficiency payments on the 1995 crop. Increased outlays for the conservation programs reflect higher signup levels for CRP as well as increasing obligations under the new programs

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established by the 1996 Farm Bill. Increases for the export programs reflect primarily a higher program level for the Export Enhancement Program.

How Production Flexibility Contract Amounts are Calculated

- o The Farm Bill specifies the total payment amount for production flexibility contracts for each year between 1996 and 2002. The total for a particular year is multiplied by the specified commodity share to determine the amount available for the individual commodities. This amount for each commodity is then adjusted for prior crop year deficiency payments by *subtracting* remaining earned deficiency payments and *adding* refunds of unearned deficiency payments.
- o For example, the total payment amount authorized for 1997 (\$5.4 billion) is multiplied by the share for corn (46.22 percent) to yield the base payment amount for corn (\$2.5 billion). This amount is then adjusted by adding net refunds of 1995 corn crop deficiency payments (\$0.9 billion), resulting in the adjusted payment amount for corn (\$3.4 billion).
- o The annual payment rate for each commodity is calculated by dividing the adjusted payment amount by the national payment quantity. The national payment quantity for each commodity is determined by multiplying total acreage eligible for payments by the average program yield.
- o For example, the payment rate for corn contracts (46 cents per bushel) is calculated by dividing the adjusted payment amount (\$3.4 billion) by the national payment quantity (about 7.4 billion bushels).
- o An individual producer's payment equals the payment rate multiplied by the payment quantity for the farm, less any net refunds of 1995 crop deficiency payments outstanding.

Finally, provisions of the 1996 Farm Bill limited the use of CCC funds for purchase of data processing equipment and support services traditionally funded by the Corporation. These provisions (1) limited CCC expenditures for automated data processing equipment to \$275 million between 1997 and 2002, and (2) capped the use of CCC funds to reimburse agencies for costs associated with programs administered by CCC. The cap, which limits reimbursable expenses to the levels allotted in 1995 on reimbursable expenses, restricts the level of CCC funding available to support technical assistance by

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NRCS and other government agencies for CRP and other programs funded by CCC. Technical assistance for EQIP is not subject to these restrictions.

Farm Service Agency
Commodity Credit Corporation
Reimbursable Agreements and ADP Expenditures
(Dollars in Millions)

Program	Program Levels		Net Outlays	
	FY 1997	FY 1998	FY 1997	FY 1998
Reimbursable Agreements . .	\$41	\$36	\$43	\$46
ADP Expenditures	109	104	109	104
Total	\$150	\$140	\$152	\$150

Salaries and Expenses. The FSA's salaries and expenses account funds all management related activities for FSA programs. FSA also provides administrative support to the Foreign Agricultural Service (FAS) and to the Risk Management Agency (RMA) under a reimbursable agreement.

The 1998 budget proposes a program level of \$954.1 million estimated to support a ceiling of 5,877 Federal staff years and 9,879 non-Federal county staff years.

This program level, slightly lower than the 1997 program level of \$956 million, reflects the continued impact of the 1996 Farm Bill, which shifts farm policy away from production-oriented programs to support farm income, such as deficiency payments, to fixed production flexibility contract payments. This change means fewer staff are needed to service these programs, particularly at the field office level.

USDA administers farm, rural development and conservation programs through county and other field offices. USDA will conduct a study in 1997 to determine opportunities for greater efficiencies in this delivery system.

FARM AND FOREIGN AGRICULTURAL SERVICES

RISK MANAGEMENT AGENCY (RMA)

Crop Insurance Program Program Level (Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Administrative and Operating Expenses	\$63	\$64	\$68
Delivery Expenses	487	490	417
Indemnities	1,834	2,088	2,147
R & D Reform Costs	3	5	11
Other Expenses	2	0	0
Total, Program Level	2,389	2,647	2,643
Less Producer Premium	-641	-773	-815
Total, Government Costs . . .	<u>\$1,748</u>	<u>\$1,874</u>	<u>\$1,828</u>

The Federal Crop Insurance Reform Act of 1994 combined the crop insurance and *ad hoc* disaster payment programs. It required producers of insurable crops to obtain catastrophic insurance (CAT) which provided a basic level of protection, compensating participants for losses greater than 50 percent of the normal yield at 60 percent of the expected price. The premium for this type of coverage is subsidized by the Federal government so that the only cost to farmers is an annual processing fee of \$50 per crop per county up to \$200 per county, not to exceed \$600 regardless of the number of counties or crops involved. The Federal Crop Insurance Reform Act of 1994 required farmers to obtain catastrophic coverage in order to participate in Federal farm programs. Under the 1996 Farm Bill, farmers may sign a waiver foregoing catastrophic insurance and still maintain participation rights.

Higher levels of coverage are available through private insurance companies. Coverage up to 75 percent of yield and 100 percent of market price is available. Producers must pay a portion of the cost for this coverage; the Government subsidizes a portion of the premium cost, and pays all delivery costs.

About 70 percent of the Nation's producers participate in the crop insurance program. More than half of the insured acreage is covered at higher levels than CAT, and it is anticipated that more producers will buy-up in the future as they become more familiar with the program. Currently, over 50 of the most economically significant crops are insurable.

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The 1998 budget proposes new legislation to improve the safety net for farmers by expanding the revenue insurance program nationwide. Revenue insurance seeks to provide income protection to producers by offering price and yield guarantees. Under the 1996 Farm Bill, revenue insurance was authorized as a pilot program and, as such, has been restricted to only certain States and crops. Despite its limited availability, revenue insurance has been widely accepted by farmers who have had the opportunity to obtain such coverage. Further, no additional premium subsidy has been required, and the realized loss ratio has been within the statutory limits, and comparable to RMA's standard multi-peril risk coverage. Thus, the only additional cost to the Government associated with increased revenue insurance has been a modest increase in delivery expenses and expected underwriting gains by the private insurance companies.

The Department proposes to partially offset the additional delivery expenses associated with expanding revenue insurance by making several changes including reducing the loss ratio target and the administrative reimbursement rate paid to private companies. The proposed reimbursement rate is a reduction from current law and reflects extensive analysis by both RMA and the General Accounting Office. The proposal also includes some administrative actions which would provide more flexibility for determining subsidy amounts and establishing pilot programs, require a processing fee for the review of industry requests for RMA's product approval and make certain changes in program compliance requirements. None of these administrative changes is expected to have a budgetary impact.

Finally, the Department will also play a key role in educating farmers about the risk management tools available to them, and will use outreach mechanisms through the private sector and electronic technology such as the Internet to expose farmers to other market products.

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FOREIGN AGRICULTURAL SERVICE (FAS)

International Programs and Activities Program Level (Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
CCC Export Credit:			
Short-term Guarantees (GSM-102) . . .	\$3,079	\$5,000	\$5,300
(Supplier Credit Guarantees)	(0)	(250)	(350)
(Facilities Financing Guarantees) .	(0)	(100)	(100)
Intermediate-term Guarantees			
(GSM-103)	151	500	400
Total, CCC Export Credit	3,230	5,500	5,700
Market Access Program	90	90	90
Export Enhancement Program	5	100	500
Dairy Export Incentive Program	20	56	89
P.L. 480 Food Assistance	1,207	1,047	990
Food for Progress Program <u>a/</u>	84	113	103
FAS Salaries and Expenses	167	178	183
Total, International Programs	<u>\$4,803</u>	<u>\$7,084</u>	<u>\$7,655</u>

a/ Includes that portion of Food for Progress programming supported by CCC funds.

The Foreign Agricultural Service (FAS) administers a variety of export promotion and food assistance programs which contribute to achieving the Department's export expansion objectives by increasing sales of U.S. agricultural products in overseas markets and developing long-term trading relationships with other countries. The export programs have recently assumed added significance as a result of changes in domestic farm programs made by the 1996 Farm Bill. Those changes have made U.S. farmers and ranchers more dependent upon exports to maintain and expand their income and more vulnerable to shifting conditions in international markets. By helping to maximize export sales opportunities, the export programs help to stabilize prices and incomes and thereby contribute to a greater safety net for U.S. producers.

CCC Export Credit Guarantee Programs. Under these programs, guarantees are provided by CCC for the repayment of commercial credit extended to finance U.S. agricultural export sales. Generally, export credit is made available to developing and middle-income countries with foreign exchange constraints, which would not be able to purchase U.S. agricultural commodities without commercial credit being made available.

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A total program level of \$5.7 billion has been established for the CCC export credit guarantee programs for 1998, an increase of \$200 million above the 1997 level. The increase consists of credit guarantees which will be made available to emerging overseas markets for U.S. agricultural products. Provisions of the 1996 Farm Bill require that not less than \$1.0 billion of CCC export credit guarantees be made available to emerging markets over a 7-year period and that these guarantees be additional to the \$5.5 billion minimum annual program level for CCC export credit guarantees mandated in separate statutory provisions. The budget assumes that the emerging markets guarantees will be made available in equal annual amounts of \$200 million beginning in 1998.

Of the total program level for CCC export credit guarantees in 1998, \$5.3 billion will be made available under the GSM-102 program, which provides guarantees on export credit with short-term repayment terms (up to 3 years), and \$400 million will be made available under the GSM-103 program, which provides intermediate-term credit guarantees (3 to 10 year repayment terms).

Included within the GSM-102 program level for 1998 are \$350 million of supplier credit guarantees, an increase of \$100 million above the 1997 level. Under this credit activity, which was implemented in 1996, CCC guarantees payment by foreign buyers of U.S. agricultural commodities and products which are sold by U.S. suppliers on a deferred payment basis. This differs from other GSM-102 guarantees in that foreign banks and foreign bank letters of credit are not involved in the transaction, but rather the foreign buyer alone bears ultimate responsibility for repayment of the credit. The duration of the credit is relatively short, not to exceed 180 days. Supplier credit guarantees are expected to be particularly useful in facilitating sales of high value products, a fast-growing component of U.S. agricultural exports.

The GSM-102 program level also includes a new facilities financing credit guarantee activity which is expected to be implemented during 1997. Under this activity, CCC will provide guarantees to encourage the sale of facilities and/or U.S. goods and services to address infrastructure barriers to increasing sales of U.S. agricultural products. To be eligible for guarantee coverage, projects must improve the handling, marketing, storage, or distribution of imported agricultural commodities and products.

A program level of \$100 million has been established for facilities guarantees for 1998, unchanged from the 1997 level. Program regulations to implement facilities financing guarantees are expected to be published later this year.

Market Access Program (MAP). The purpose of MAP (formerly the Market Promotion Program) is to support the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products. Under the program, CCC funds are used to partially reimburse participating organizations for the costs of carrying out foreign market development and export promotion activities in designated countries. Participating organizations include nonprofit agricultural trade organizations, State regional trade groups, and private companies. With respect to private companies, provisions of the 1996 Farm Bill have changed the eligibility criteria for MAP to prohibit the provision of direct assistance to foreign firms for the promotion of foreign-produced products and

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to any firm that is not recognized as a small business concern under the Small Business Act. The budget provides a program level of \$90 million for MAP in 1998, the maximum annual program level established by the 1996 Farm Bill and unchanged from 1997.

Export Subsidy Programs. The Department currently has two export subsidy programs: the Export Enhancement Program (EEP) and Dairy Export Incentive Program (DEIP). Under these programs, bonus payments are made available to exporters of U.S. agricultural commodities to enable them to be price competitive and thereby make sales in targeted overseas markets where competitor countries are making subsidized sales.

Under the terms of the Uruguay Round Agreement on Agriculture, the export subsidy practices of agricultural exporting countries are being reduced; the Agreement establishes annual ceilings by commodity group with respect to both the quantity and budgetary expenditures for export subsidies. Over a 6-year period, subsidized exports are to be reduced 21 percent in volume and 36 percent in budget outlays from 1986-1990 base period levels. For the United States, the quantity reductions will be carried out on a July-June basis, which began July 1, 1995, while the expenditure reductions will be carried out on an October-September basis, which began October 1, 1995.

Program activity under both the EEP and DEIP in 1996 was lower than in recent years due to world commodity supply and competitive conditions. However, the budget provides higher program levels for both EEP and DEIP in 1997 and 1998 to allow for changed market conditions. For EEP, the budget provides a program level of \$500 million for 1998, the maximum program level established by the 1996 Farm Bill. This is an increase of \$400 million above the 1997 EEP program level, which has been limited to \$100 million by a provision of the 1997 Agriculture Appropriations Act. For DEIP, the budget assumes an increase in program activity in 1997 and again in 1998 due to expanded sales under the program.

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Foreign Agricultural Service Public Law 480 Food Assistance Programs Program and Tonnage Levels

Program	1996 Actual	1997 Current Estimate	1998 Budget
Title I Credit Sales:			
Dollars in Millions	\$290	\$180 a/	\$123
Million Metric Tons Grain Equivalent	0.9	0.7 a/	0.6
Title II Donations:			
Dollars in Millions	864	837	837
Million Metric Tons Grain Equivalent	1.9	2.4	2.4
Title III Grants:			
Dollars in Millions	53	30	30
Million Metric Tons Grain Equivalent .	0.2	0.1	0.2
Total, P.L. 480 Programs:			
Dollars in Millions	\$1,207	\$1,047 a/	\$990
Million Metric Tons Grain Equivalent .	3.0	3.2 a/	3.2

a/ Includes the effect of a proposed rescission of \$50 million in budget authority and \$60 million in program level for Title I.

Public Law 480 (P.L. 480). Also referred to as Food for Peace, P.L. 480 is the primary means by which the United States provides foreign food assistance. This assistance is provided through three separate program authorities.

Title I of P.L. 480 provides for sales of U.S. agricultural commodities to developing countries and private entities through long-term concessional financing. In allocating assistance to be provided under the Title I program, priority is given to agreements which provide for the export of U.S. agricultural commodities to those developing countries which have demonstrated the potential to become commercial markets, are undertaking measures to improve their food security and agricultural development, and demonstrate the greatest need for food. The Title I program is administered by FAS.

Title II provides for donations of humanitarian food assistance to needy people in foreign countries in response to malnutrition, famine, and other situations with extraordinary relief requirements. The assistance is provided primarily through private voluntary organizations, cooperatives, or international organizations, including the World Food Program of the United Nations. In the case of donations made in response to emergency needs, Title II assistance can also be provided through government-to-government

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agreements. The Title II program is administered by the Agency for International Development (AID).

Title III provides food assistance on a grant basis to least developed countries through government-to-government agreements. The donated commodities may be sold on the domestic market of the recipient countries, and the revenue generated from the sale is used to support programs of economic development. The Title III program is also administered by AID.

The budget includes a proposed rescission of \$50 million in budget authority for P.L. 480 Title I in 1997, which reduces the Title I program level by \$60 million and estimated commodity shipments by 200,000 metric tons. Allocations of Title I commodity assistance which have already been announced for 1997 will not be affected by the rescission because the reduction in program funding will be taken from a reserve of unallocated funds and from unobligated funds carried over from 1996. The rescission is being proposed as a partial offset for a supplemental appropriations request for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC).

For 1998, the budget includes a total program level for P.L. 480 food assistance of \$990 million, a reduction of \$57 million from the revised estimate for 1997. The proposed 1998 level is expected to provide approximately 3.2 million metric tons of commodity assistance, unchanged from the level currently anticipated for 1997. While reduced funding is proposed for Title I, the budget continues the Title II grant program unchanged from the 1997 level. The 1998 Title III budget is slightly higher than the 1997 level. This will ensure that adequate resources are available to meet the most serious food assistance needs, including emergencies.

The budget also includes a proposal to shift the budget and expenditures for P.L. 480 Title I from the international affairs function to the agriculture function of the Federal budget. This reflects changes made in the Title I statutory authorities in recent years, which have placed far greater emphasis on the program's market development objectives. Most recently, the 1996 Farm Bill amended Title I to authorize agreements with private entities in addition to foreign governments.

With these changes, the importance and role of the Title I program in the Department's overall long-term market development strategy has increased. Shifting Title I to the agriculture function will allow the program to be managed and budgeted as part of a consistent package of agricultural export programs. All other USDA export programs are presently included in the agriculture function. In addition, funding for programs included in the international affairs function has been severely constrained in recent years, which has contributed to reduced funding for Title I. Moving the program to the agriculture function will enhance the Department's ability to support future budgetary resources for the program and thereby ensure its continued viability.

Food for Progress. Under this program, U.S. agricultural commodities are provided to developing countries and emerging democracies which have commitments to introduce and expand free enterprise in their agricultural economies. Food for Progress agreements

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can be entered into with foreign governments, private voluntary agencies, nonprofit agricultural organizations, cooperatives, or intergovernmental organizations. Agreements may provide for the commodities to be provided on either long-term credit or grant terms.

Food for Progress commodities and program funding can be provided through three different sources: P.L. 480 Title I funds can be used for the procurement and transportation costs of the commodities; CCC-owned commodities can be made available under the authority of section 416(b) of the Agricultural Act of 1949 with transportation and other non-commodity expenses paid with CCC funds; or CCC funds can be used for both the procurement and shipment of commodities when CCC does not have surplus commodities in inventory.

The authorizing statute for Food for Progress limits annual programming to not more than 500,000 metric tons and limits CCC funding for the non-commodity costs (e.g., transportation) of programming to \$30 million per year. The budget assumes that approximately \$103 million of CCC funds will be used to support Food for Progress programming in 1998. This includes \$73 million for the purchase of commodities by CCC and \$30 million for transportation and related costs. Additional Food for Progress programming is expected to be carried out with funding made available under P.L. 480 Title I.

Foreign Agricultural Service Salaries and Expenses (Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Strategic Outreach and			
Market Intelligence	\$26	\$28	\$38
Market Development and Promotion . . .	60	68	62
Market Access	14	15	15
Price/Credit and Risk Assistance	15	15	16
Long-term Market Development	10	10	20
Total, Direct Programs	125	136	151
Reimbursable Programs Funded by AID and Other Organizations	32	32	32
Emerging Markets Program Funded by CCC	10	10	--
Total, Salaries and Expenses	<u>\$167</u>	<u>\$178</u>	<u>\$183</u>

a/ Included in Long-term Market Development above.

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The mission of FAS is to open, expand, and maintain overseas markets for U.S. food and agricultural products. To accomplish its mission, FAS carries out a diverse array of trade promotion, market development, and international cooperation activities on a worldwide basis. Implementation of these activities is guided by the Department's Long-term Agricultural Trade Strategy (LATS), which FAS prepares and updates on a periodic basis.

The LATS incorporates five policy objectives for accomplishing the agency's mission. For the 1998 budget, the FAS budget presentation and activity structure have been revised to reflect these five policy objectives. These changes are intended to ensure that FAS budget development and resource allocation processes are consistent with the agency's strategic plan and the performance-based management requirements of the Government Performance and Results Act of 1993.

The five new budget categories encompass the following agency activities:

- Strategic Outreach and Market Intelligence -- activities designed to increase domestic awareness of export opportunities, facilitate export readiness, and link export-ready and new-to-export firms to market entry opportunities; and market intelligence and reporting activities which provide U.S. producers, exporters, and government officials with information and analysis of world agricultural production and trade.
- Market Development and Promotion -- activities designed to create demand for U.S. agricultural products in foreign markets, introduce U.S. food and agricultural products to potential foreign customers, and demonstrate the quality and use of U.S. products. Funding for the Foreign Market Development (Cooperator) Program, food and agricultural trade shows, and FAS's 14 overseas Agricultural Trade Offices (ATOs) is included in this category.
- Market Access -- international trade policy formulation, negotiation and monitoring activities designed to reduce foreign trade barriers and increase market access for U.S. agricultural products.
- Price/Credit and Risk Assistance -- administration of the Department's major export programs, including the CCC export credit guarantee programs, export subsidy programs, and foreign food assistance programs.
- Long-term Market Development -- administration of international cooperation and development activities, including scientific and technical exchanges, cooperative research, trade investment activities, liaison with international food and agricultural organizations, and agricultural technical assistance and training. Funding for the Cochran Fellowship Program and Emerging Markets Program is included in this category.

The previous budget structure included funding for FAS's 62 overseas counselor and attaché posts in one activity category (Foreign Agricultural Affairs). Under the revised structure, the operating costs of these overseas offices are now pro-rated among the five new activity categories due to the fact these offices make a contribution to each of the

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agency's policy objectives. The distribution of these costs among the activity categories was determined based on a survey of post activity and client demand.

The 1998 budget for FAS includes appropriated funding of \$151 million, an increase of \$15 million above the 1997 level. Of the total requested increase, \$14 million will be used to meet the costs of two FAS activities which are currently supported with CCC funds made available to FAS through reimbursable agreements. The budget proposes to shift these costs from mandatory to discretionary spending and provide all future funding for these activities through FAS appropriations. As a result of this change, future funding for these activities will no longer be subject to the annual limitation on CCC reimbursable agreements established by provisions of the 1996 Farm Bill.

The first of these activities is the Emerging Markets Program authorized by the Food, Agriculture, Conservation, and Trade (FACT) Act of 1990. This program supports technical assistance and related activities which further U.S. market development objectives in promising overseas growth markets. The program provides seed money to improve food and rural business systems in targeted emerging markets where there is potential to increase U.S. exports significantly over the long term. Annual funding for the Emerging Markets Program will continue at \$10 million and will be included in the long-term market development activity category of the FAS budget.

Also proposed for shifting to the FAS appropriation are the operating costs of the CCC Computer Facility, which serves as the Department's collection point for international production intelligence and crop estimates, and other, related FAS Information Resources Management (IRM) costs which in the past have been funded through a reimbursable agreement with CCC. The total of these IRM costs, for which direct funding is now proposed in the FAS strategic outreach and market intelligence budget category, is estimated at \$9.7 million in 1998. The budget provides increased funding of \$4.0 million to partially meet these costs; the remaining \$5.7 million will be met through a reduction in FAS market development activities. This will be achieved through a reduction in marketing programs carried out through the ATOs and increased cost-share contributions by participants in the Cooperator Program.

The budget provides an additional increase of \$500,000 for FAS to implement a market access barrier identification project. Under this initiative, FAS will implement a systematic process to review, identify, and catalog technical barriers to trade and other technical requirements that limit export opportunities in the largest markets for U.S. agricultural products. The development of a systematic and comprehensive catalogue of these barriers and requirements is an important step in preparing for the next round of multilateral trade negotiations. In addition, their identification will assist U.S. exporters in their efforts to gain entry to new overseas markets.

The FAS budget also includes an advance appropriation of \$3 million for 1999 to offset documentable wage and price increases and/or exchange rate losses during 1998. Associated with the advance appropriation, the budget includes language that will allow funds appropriated to FAS to be obligated over two years rather than one; this will allow savings that may be realized in the operation of FAS overseas posts and ATOs as a

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result of exchange rate gains during the first year to carry over for use in the following year.

Finally, the FAS budget includes an estimated \$32 million in funding to be made available through reimbursable agreements. This consists of funding for technical assistance, training, and research activities which FAS carries out overseas on behalf of the Agency for International Development, foreign governments, and international organizations.

RURAL DEVELOPMENT

MISSION

The mission of USDA Rural Development is to improve the quality of life for rural residents. To do this, USDA works closely with the private and nonprofit sectors and with State, tribal and local governments to coordinate Federal assistance to rural areas, and to administer a broad range of programs that provide loan, grant, and technical assistance to help rural Americans build strong economies. Some programs provide assistance to individual rural residents, for example, low-interest loans and loan guarantees for the purchase and repair of modest housing units. Other programs and grants help in the financing of facilities that provide services to rural residents. Examples include rural electrification and telecommunications loans, water and waste disposal loans and grants, and community facility loans and grants. Still other programs, primarily those that provide financial and other assistance to rural businesses, serve rural residents by saving and creating jobs for their economic livelihood.

There are three agencies in this mission area: the Rural Housing Service (RHS), the Rural Utilities Service (RUS) and the Rural Business-Cooperative Service (RBS).

USDA administers farm, rural development and conservation programs through county and other field offices. USDA will conduct a study in 1997 to determine opportunities for greater efficiencies in this delivery system.

RURAL DEVELOPMENT

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	1996 Actual		1997 Cur. Est.		1998 Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Rural Utilities Service	\$2,444	\$700	\$3,035	\$681	\$3,047	\$734
Rural Housing Service	4,241	1,332	4,753	1,217	5,831	1,335
Rural Business-Cooperative Service	765	104	887	97	810	101
Alternative Agricultural Research and Commercialization Corporation	8	7	7	7	10	10
Total, Rural Development . . .	<u>\$7,458</u>	<u>\$2,143</u>	<u>\$8,682</u>	<u>\$2,002</u>	<u>\$9,698</u>	<u>\$2,180</u>

For loan programs, the budget reflects both an estimated loan level, which is also the program level, and the budget authority necessary to cover the interest subsidy and other costs over the lifetime of the loans.

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Overall, the 1998 budget reflects the Administration's strong support for ensuring that rural Americans have the ability to take advantage of the same opportunities for economic growth that exist in urban areas. It supports the Administration's Water 2000 initiative which targets resources to the estimated 2.5 million rural residents who have some of the Nation's most serious drinking water availability, dependability and quality problems. It provides direct loans and guarantees to meet the Administration's commitment to increased home ownership. It targets resources to those rural residents and communities most in need of assistance, for example, under the Empowerment Zones and Enterprise Communities (EZ/EC) initiative. And, it provides more flexibility for meeting State and local priorities by implementing the Rural Community Advancement Program (RCAP).

Current estimates of the 1997 program levels for some loan programs are lower than the levels reflected in the Agriculture Appropriations Act for 1997. This is because interest rates are higher than the rates that were assumed in the 1997 budget, resulting in a decrease in the program levels that could be supported with the budget authority that was provided in the Act. The 1998 budget for the mission area reflects an increase of \$1 billion in program level over the current estimate for 1997, and an increase of over \$2 billion from 1996, when Congress provided about the same level of budget authority as in the 1998 request. The program level increase in 1998 is attributable to both a projected decline in interest rates from 1997 and an additional \$178 million in budget authority. The increased budget authority will be targeted to the highest priority programs including:

- the single family housing direct loan program, for which the 1998 budget proposes about \$45 million in additional budget authority in order to support a \$1 billion program level, which is about the same level as achieved in 1996 and substantially above the current estimate of \$585 million for 1997.
- a \$17 million increase in rental assistance payments which reflects additional renewals under USDA's on-going rural rental assistance program. The language also includes a shift from HUD in the responsibility for and funding of Section 8 contracts in USDA financed projects. For about 1,700 projects financed by RHS in the late 1970's and early 1980's, HUD provided 20-year Section 8 rental assistance contracts. As these contracts expire, they will be replaced with less costly RHS rental assistance.
- an additional \$53 million for essential rural utilities programs, primarily distance learning and medical link programs and block grants to the States.

Many of the Department's rural development programs would be delivered under provisions of the Rural Community Advancement Program (RCAP) authorized in the 1996 Farm Bill.

RURAL DEVELOPMENT

RURAL COMMUNITY ADVANCEMENT PROGRAM (RCAP)

The 1996 Farm Bill authorized the Department to manage a portion of its current array of rural development programs through one integrated initiative that:

- increases flexibility to ensure that investments more effectively meet local needs,
- reinvents program implementation and increases reliance on performance measures, and;
- ensures participation in the development of State strategic plans from State and local officials, the non-profit and private sectors, the State Rural Development Councils, and others involved in the rural development process.

The 1996 Farm Bill provides for the transfer of up to 25 percent of the funding in each of three funding categories (community facilities, water and waste disposal, and business assistance) between categories at the State level and up to 10 percent nationally.

The 1996 Farm Bill authorized up to 5 percent of regular program funds to be provided to the States in the form of grants as part of RCAP and an additional 5 percent on a matching basis.

In 1997, Congress appropriated funds to 3 assistance programs, the Rural Housing Assistance Program (RHAP), the Rural Business-Cooperative Assistance Program (RB-CAP), and the Rural Utilities Assistance Program (RUAP). Although State Directors were given flexibility for shifting funds within categories to reflect local needs, no flexibility was provided for shifting funds between categories. No funds were provided for grants to States.

The 1998 request would fully implement RCAP. The programs and the amounts of funding for these programs that would be included in the RCAP for 1998 are as follows:

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Rural Community Advancement Program Sources of Funding (Dollars in Millions)

Program	1998 Program Level	1998 Budget Authority
Water and Waste Disposal Loans:		
Direct	\$734	\$72
Guarantees	75	0
Water and Waste Disposal Grants	484	484
Solid Waste Management Grants	3	3
Community Facility Loans:		
Direct	209	18
Guarantees	209	1
Community Facility Grants	9	9
Business and Industry Loans:		
Direct	50	0
Guarantees	611	6
Rural Business Enterprise Grants	40	40
State Non-Matching Grants	29	29
State Matching Grants	27	27
	<hr/>	<hr/>
Total, Loans and Grants.	\$2,480	\$689
	<hr/>	<hr/>

RURAL DEVELOPMENT

RURAL UTILITIES SERVICE (RUS)

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	1996 Actual		1997 Cur. Est.		1998 ^{a/} Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Loan Programs:						
Electric Loans:						
Direct 5%	\$91	\$21	\$69	\$4	\$125	\$9
Municipal	545	57	456	28	400	17
FFB Insured	187	1	300	3	300	3
Total, Electric Loans	823	79	825	35	825	29
Telecommunications Loans:						
Direct 5%	71	14	75	1	40	1
Treasury Rate	217	^{b/}	300	^{b/}	300	^{b/}
FFB Insured	78	--	120	--	120	--
Total, Telecom. Loans	366	14	495	1	460	1
Rural Telephone Bank (RTB) ..	126	4	176	2	175	4
Total, Elec., Tele. and RTB	1,315	97	1,496	38	1,460	34
Distance Learning and Medical Link Treasury Rate Loans ..	--	--	150	1	150	^{b/}
Water and Waste Disposal Loans						
Direct	603	136	739	67	734	72
Guaranteed	59	--	75	--	75	--
Total, Wtr & Wst Dis Loans	662	136	814	67	809	72
Grant Programs:						
Distance Learning & Med. Link	8	8	7	7	21	21
Water and Waste Disposal ...	392	392	498	498	484	484
Solid Waste Management	2	2	3	3	3	3
State Non-Matching Grants ...	--	--	--	--	26	26
State Matching Grants	--	--	--	--	24	24
Total, Grants	402	402	508	508	558	558
Total, RUS Loans & Grants	2,379	635	2,968	614	2,977	664
Salaries and Expenses	65	65	67	67	70	70
Total, RUS	<u>\$2,444</u>	<u>\$700</u>	<u>\$3,035</u>	<u>\$681</u>	<u>\$3,047</u>	<u>\$734</u>

^{a/} For 1998, the following are included in the Rural Community Advancement Program - Water and Waste disposal direct and guaranteed loans and grants, solid waste and State grants. (See page 38.)

^{b/} Less than \$0.5 million.

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The electric and telecommunications programs provide loans for upgrading and expanding facilities to improve service to rural residents. Most borrowers are able to get a portion of their credit needs from private sources. However, direct loans allow borrowers to leverage private sources of credit to meet their full credit requirements. These loans are made available at Treasury and municipal bond interest rates, as well as 5 percent interest for hardship borrowers.

The Telecommunications Act of 1996 endorses the concept of universal service so that rural areas, with low population density and limited economic means, are not excluded from the benefits of modern telecommunications technology. The programs administered by the Rural Utilities Service provide financing for rural America to gain equal access to these important technologies.

The Distance Learning and Medical Link Program provides assistance for facilities and equipment to provide telecommunications linkages among education and health care facilities. The program has experienced a demand for funds far in excess of the amount of funding that has been available. The budget provides for a substantial increase in the Distance Learning and Medical Link Program. The level of grants would nearly triple the amount that was appropriated for 1997, and the loan program would be maintained at \$150 million at the Treasury interest rate. This increase in funding is necessary to ensure that rural America is properly linked to the Information Superhighway.

Further, the budget provides for a \$56 million increase in the level of direct 5 percent interest electric loans. The level of FFB-insured electric loans will be maintained at the same level as 1997. A \$56 million decline in the level of direct municipal rate electric loans is proposed. The telecommunication loan levels are essentially the same as provided for in the 1997 Agriculture Appropriations Act, except that the level of direct 5 percent interest telecommunication loans would decline \$35 million.

The Water and Waste Disposal Program provides assistance to communities with populations not in excess of 10,000. Communities must be denied access to commercial credit in order to be eligible for assistance. The Needs Survey, conducted every two years by the Environmental Protection Agency indicates that there are significant needs for such assistance in order to bring communities into conformance with Federal drinking water and other health standards. Through the Water 2000 initiative, the Department is targeting resources to the estimated 2.5 million rural Americans who have some of the Nation's most serious drinking water availability, dependability, and quality problems. This number includes over 400,000 rural households, identified in the 1990 Census, who lack complete plumbing.

The 1998 budget requests budget authority under RCAP of \$609 million to support \$809 million in loans and \$537 million in grants, including \$50 million in grants to the States, as required by the 1996 Farm Bill. In 1997, Congress appropriated \$567 million in budget authority under the Rural Utilities Assistance Program (RUAP) to support water and waste disposal loans and grants, and provided USDA with flexibility to use the budget authority for either loans or grants. Using the flexibility provided by RUAP, the budget

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authority was converted into a program level of \$814 million in loans and \$501 million in grants. The increase in budget authority requested for 1998 would support the Administration's Water 2000 initiative, which would help to bring the basic amenity of clean and safe running water to rural America's poorest communities, particularly households which lack complete plumbing.

RURAL HOUSING SERVICE (RHS)

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	1996 Actual		1997 Cur. Est.		1998 <u>a/</u> Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Rural Housing Loans:						
Single-Family						
Direct	\$1,016	\$145	\$585	\$83	\$1,000	\$128
Guarantees	1,700	3	2,700	6	3,000	7
Guarantee Unsub Refinancing	--	--	--	--	100	<u>b/</u>
Rural Rental Housing	151	81	153	79	150	69
Multi Family Guarantees	13	1	13	1	--	--
Very Low-Income Repair	35	13	30	11	30	10
Farm Labor Housing	15	8	15	7	15	7
Self-Help Housing	<u>b/</u>	<u>b/</u>	1	<u>b/</u>	1	<u>b/</u>
Housing Site Development	1	--	1	--	1	--
Credit Sales	--	--	28	4	25	4
Total, Housing Loans	2,931	251	3,526	191	4,322	225
Community Facility Loans:						
Direct	208	35	137	12	209	18
Guarantees	56	3	74	<u>a/</u>	209	1
Total, Community Facility Loans	264	38	211	12	418	19
Grants and Payments:						
Community Facility	--	--	7	7	9	9
Very Low-Income Repair	26	26	16	16	25	25
Farm Labor Housing	10	10	6	6	10	10
Mutual and Self-Help	13	13	26	26	26	26
Supervisory and Technical Asst.	3	--	2	--	<u>b/</u>	--
Compensation for Const. Defects	<u>b/</u>	<u>b/</u>	<u>b/</u>	--	<u>b/</u>	--
Rural Housing Preservation	11	11	7	7	10	10
Rental Assistance Payments	540	540	524	524	541	541
Section 8 HUD Transfer	--	--	--	--	52	52

RURAL DEVELOPMENT

Program Level (P.L.) and Budget Authority (B.A.) (Dollars in Millions)

Program	1996 Actual		1997 Cur. Est.		1998 <u>a/</u> Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Grants and Payments (Cont.):						
Fire Protection Grants	\$2	\$2	\$1	\$1	\$2	\$2
State Non-Matching Grants . .	--	--	--	--	1	1
State Matching Grants	--	--	--	--	1	1
Total, Grants	605	602	589	587	677	677
Total, Loans and Grants	3,800	891	4,326	790	5,417	921
Salaries and Expenses	441	441	427	427	414	414
Total, RHS	<u>\$4,241</u>	<u>\$1,332</u>	<u>\$4,753</u>	<u>\$1,217</u>	<u>\$5,831</u>	<u>\$1,335</u>

a/ In 1998, community facility loans and loan guarantees as well as grants are included in the Rural Community Advancement Program (See page 38.)

b/ Less than \$0.5 million.

RHS administers the Department's rural housing programs, which provide direct loans, loan guarantees, rental assistance payments, and grants for low-income families who reside in rural areas. The agency also administers the community facility loan and grant programs.

The 1998 budget for this agency supports an increase in program level of slightly more than \$1.0 billion over 1997, bringing the 1998 level to \$5.8 billion. Of this amount, \$4.7 billion represents loans -- the largest components being \$3.0 billion in unsubsidized single family housing loan guarantees and \$1.0 billion in direct single family housing loans.

Direct single family housing loans are made to very low- and low-income families. These loans may receive an interest rate credit subsidy that can reduce the borrower's interest rate down to as low as 1 percent. In 1997, the budget for the direct loan program was reduced by nearly half, to \$585 million. The program level that can be supported with the amount of budget authority that is appropriated depends on the program's subsidy rate, which is greatly influenced by the Treasury's cost of borrowing. The 1997 budget for this program was based on a subsidy rate of 8.3 percent. Congress appropriated \$83 million to support a program level of \$1 billion. However, when the budget was executed, Treasury rates had not fallen to the level assumed in the budget, so the subsidy rate increased to 14.18 percent. As a result, the \$83 million in budget authority could only support a program level of \$585 million. The 1998 budget proposes an increase of over \$400 million, and would restore this program to its 1996 level. The Administration added

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\$20 million in budget authority from the Fund for Rural America for direct single family housing loans in 1997. This amount of budget authority will support an estimated \$141 million in loans. Loan guarantees primarily serve families with moderate incomes; the interest rate is negotiable between lender and borrower. The 1998 budget proposes an increase of \$300 million in these loan guarantees and a new \$100 million program of unsubsidized refinancing guarantees.

The rural rental housing loan program would be maintained at \$150 million in 1998. This program provides financing to construct and maintain multifamily rental projects that serve low-income families. Loans made under this program are also eligible for interest credit assistance, based on the incomes of the families that occupy units in the projects.

The budget request for this program reflects proposed legislation which would shorten the loan term from 50 to 30 years, while amortizing the loan over 50 years. This would reduce the subsidy rate from 53.4 percent to 45.8 percent, resulting in a 17 percent higher program level with the same amount of budget authority. In addition, about 60 percent of the units in most projects receive rental assistance payments, to bring the rent on such units down to 30 percent of the income of the occupant. Rental assistance is needed in about 90 percent of the units in new projects. Rental assistance contracts are usually made for 5 years, and require renewal in order to keep the unit available for low-income families and the project viable for the sponsor. The budget includes \$593 million for the rental assistance program, \$69 million more than was appropriated for 1997. Part of this will be used for renewals of existing contracts and part will be used to provide rental assistance to RHS-financed rural rental housing projects currently receiving HUD Section 8 rental assistance. As the Section 8 contracts expire, they will be converted to less costly RHS rental assistance. The budget of \$593 million for rental assistance includes \$52 million in budget authority for this purpose, reflecting the shift in responsibilities from HUD.

The 1998 budget provides \$25 million for credit sales. Such sales are used to finance sales of properties that the agency acquires through foreclosure and other actions.

The agency's other housing programs serve specific needs, such as repair, self-help (whereby families work together in the construction of their homes) and farm labor housing projects.

Under the community facilities program, priority is given to the financing of health and safety facilities. There are three interest rates available on direct loans, with the lowest, 4.5 percent, offered to communities where the median income is below the poverty level and for projects to meet health and sanitary standards. The budget provides for increasing the direct loan program from the 1997 level of \$137 million to \$209 million, and the guarantee program from \$74 million to \$209 million. The budget also requests an increase in community facilities grants, from \$7 million to \$9 million.

The budget provides for a decrease in administrative expenses. This reduction reflects the efficiencies realized from implementing the agency's Direct Loan Origination and

RURAL DEVELOPMENT

Servicing (DLOS) system. DLOS will deliver modern services to rural single-family housing borrowers through a centralized loan origination and servicing center, and is expected to save over \$250 million during its first 5 years and \$100 million in each subsequent year.

RURAL BUSINESS-COOPERATIVE SERVICE (RBS)

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	1996 Actual		1997 Cur. Est.		1998 <u>a/</u> Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Loans:						
Business and Industry:						
Guarantees	\$638	\$6	\$688	\$6	\$611	\$6
Direct	--	--	50	<u>b/</u>	50	--
Intermediary Relending Prog. .	38	22	37	17	35	17
Rural Economic Development .	9	3	12	3	25	<u>c/</u>
Total, Loans	685	31	787	26	721	23
Grants:						
Rural Business Enterprise	45	45	41	41	40	40
Rural Business Opportunity . . .	--	--	1	1	--	--
Rural Cooperative Development	1	1	2	2	2	2
Appropriate Technology Transfer for Rural Areas	1	1	1	1	1	1
Rural Economic Development .	7	<u>c/</u>	29	<u>c/</u>	11	<u>c/</u>
State Non-Matching Grants . . .	--	--	--	--	2	2
State Matching Grants	--	--	--	--	2	2
Total, Grants	54	47	74	45	58	47
Total, Loans and Grants	739	78	861	71	779	70
Salaries and Expenses	26	26	26	26	31	31
Total, RBS	<u>\$765</u>	<u>\$104</u>	<u>\$887</u>	<u>\$97</u>	<u>\$810</u>	<u>\$101</u>

a/ For 1998 Business and Industry Direct and Guaranteed Loans, the Rural Business Enterprise Grants and the State Grants are included in the Rural Community Advancement Program. (See page 38.)

b/ Less than \$0.5 million.

c/ Section 313 of the Rural Electric Act provides the authority to make loans and grants with earnings generated by the interest differential on voluntary cushion of credit payments made by RUS borrowers. Therefore, necessary budget authority is transferred from the cushion of credit account.

RURAL DEVELOPMENT

RBS administers the Department's rural business assistance programs, including technical assistance, development, and research for agricultural cooperatives. The agency delivers a wide variety of services to its clients. Business and Industry (B&I) loan guarantees, for example, provide protection against loss so that private lenders will be willing to extend credit to the borrower-client. Other programs, including the intermediary relending program and the rural economic development programs allow sponsors to borrow from the agency in order to make loans to businesses and other organizations for development purposes.

The 1998 budget proposes to maintain the loan and grant programs of the Rural Business-Cooperative Service at essentially the same level of budget authority as provided for by the 1997 Agriculture Appropriations Act.

The Business and Industry (B&I) guaranteed loan program would be reduced from \$688 million in 1997 to \$611 million in 1998. The budget also proposes a \$50 million B&I direct loan program, the same level as in 1997. It is projected that this level of direct loan assistance can be provided at no subsidy cost, therefore, no budget authority is requested. This funding will allow the agency to reach small businesses in rural areas where private lender participation to make guaranteed loans is not readily available, as well as other small businesses, such as those with innovative processes, that private lenders have been reluctant to serve.

ALTERNATIVE AGRICULTURAL RESEARCH AND COMMERCIALIZATION CORPORATION (AARC)

Program Level (P.L.) and Budget Authority (B.A.)
(Dollars in Millions)

Program	1996 Actual		1997 Cur. Est.		1998 Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
Investments	\$8	\$7	\$7	\$7	\$10	\$10

The Alternative Agricultural Research and Commercialization (AARC) Corporation makes equity investments in rural businesses to assist in the technological development and commercialization of industrial (non-food, non-feed) uses for agricultural materials and animal by-products. These investments become subject to repayment once the project becomes successful, thereby allowing greater flexibility towards repayment than can be accommodated under conventional loan terms, which require immediate repayment.

The 1998 budget proposes an increase in funding for the AARC Corporation from \$7 million in 1997 to \$10 million in 1998.

FOOD, NUTRITION, AND CONSUMER SERVICES

FOOD AND CONSUMER SERVICE (FCS)

The Food and Consumer Service (FCS) administers America's domestic nutrition programs. The FCS mission is to provide children and needy families access to a more healthful diet through its food assistance programs and comprehensive nutrition education efforts. FCS fulfills its mission principally via food stamps, the cornerstone of our National commitment to protect the nutrition, health, and well-being of low-income families; the Child Nutrition Programs; the Commodity Assistance Program (CAP) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). These programs are administered to support the Administration's goals of supporting work, family and responsibility.

FCS programs are operated in a State/Federal partnership, in which the Federal government is generally responsible for food costs for the programs and shares administrative costs with States. FCS is responsible for interpreting Federal statutes, issuing program regulations and instructions, establishing nationwide standards, and ensuring program integrity. FCS regional offices monitor State agencies to ensure the adequacy of their administration. States are responsible for determining the eligibility of needy persons to participate in nutrition assistance programs, as well as the delivery of services. States are also generally responsible for coordinating USDA nutrition programs with other local welfare, health care, and assistance programs.

Funding requirements for the food assistance programs are sensitive to economic factors, including the number of income eligible recipients and the cost of food. Food cost inflation has been moderate recently.

The income eligibility threshold for benefits, such as food stamps and free school meals, limits participation to those with family incomes at or below 130 percent of the Federal poverty guidelines (\$20,280 for a family of four in 1997). The threshold for WIC and reduced-price meals is set at 185 percent of poverty (\$28,860 for a family of four in 1997).

FOOD, NUTRITION, AND CONSUMER SERVICES

Food and Consumer Service Program Level (Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget	
Food Stamp Program	\$24,259	\$23,673	\$24,562	<u>a/</u>
Food Distribution to Indians	65	65	75	
Nutrition Assistance for Puerto Rico	1,143	1,174	1,204	
Total, Food Stamp Program	25,467	24,912	25,841	
Child Nutrition Programs	8,469	8,713	8,926	<u>b/</u>
Special Supp. Nutrition Program (WIC)	3,715	3,975	4,108	<u>c/</u> <u>d/</u>
Commodity Assistance Program:				
Commodity Supp. Food Program	87	92	86	
Nutrition Program for the Elderly	148	145	140	
Soup Kitchens, Food Banks and Emergency Food Assistance	80	184	145	<u>e/</u> <u>f/</u>
Pacific Island Assistance	1	1	1	
Total, CAP	316	422	372	
Food Program Administration	105	104	106	
Center for Nutrition Policy and Promotion	3	2	2	
Total, FCS	<u>\$38,075</u>	<u>\$38,128</u>	<u>\$39,355</u>	

a/ Excludes \$2.5 billion requested for Food Stamp Program contingency reserve and \$40 million for not yet identified costs for technical changes associated with Welfare Reform.

b/ Includes \$6.2 million supplemental requested for Nutrition Education and Training, offset by a \$6.2 million reduction in TEFAP commodities available under the Food Stamp Program.

c/ Includes \$100 million supplemental requested.

d/ Excludes \$100 million requested in 1998 for WIC contingency reserve.

e/ Includes \$93.8 million in TEFAP commodities available under the Food Stamp Program.

f/ Includes \$100 million available under the Food Stamp Program for mandatory commodity purchases for the Emergency Food Assistance Program as required by the 1996 Farm Bill.

FOOD, NUTRITION, AND CONSUMER SERVICES

The Department's 1998 budget funds the mandatory Food Stamp and Child Nutrition Programs, including implementation of Welfare Reform changes. In 1998, a \$133 million increase in program level for WIC, a program scored in the discretionary category, is requested, plus \$100 million in supplemental funding for 1997. The budget also continues the emphasis on strengthening program integrity in the Food Stamp, Child Nutrition, and WIC Programs. The details of the nutrition programs follow.

Food Stamps. The budget for the Food Stamp Program increases by about \$1 billion over 1997 and incorporates changes due to enactment of Welfare Reform. The Administration is also proposing legislative changes to moderate the harsher effects of Welfare Reform as they affect families with children and individuals looking for, but unable to find work. The changes proposed for the Food Stamp Program include: increasing and eventually removing the shelter deduction cap; reindexing the standard deduction; increasing and then reindexing the vehicle asset limitation; delaying the Food Stamp ban for legal immigrants until the end of 1997; toughening work requirements for participants aged 18-50; and expanding the number of work slots for, and wage supplementation to, this group. Additional emphasis will be placed on initiatives to reduce over and underpayment errors and trafficking.

FCS continues to aggressively fight Food Stamp trafficking fraud and the sale of non-food products for food stamps by coordinating with the Office of the Inspector General (OIG) to conduct "sweeps" to identify and eliminate ineligible stores from the program. Electronic Benefit Transfer (EBT) implementation will continue under this request. By substituting electronic debit cards for food coupons, benefits are provided more conveniently to recipients, and in most cases retailer and program administrative costs can be reduced. EBT is living up to its promise of simplifying benefit delivery and providing USDA with new and powerful sources of data useful in detecting retailer and recipient trafficking and fraud. Savings achieved will be directed at reducing program costs and the budget deficit. The Food Distribution Program on Indian Reservations (FDPIR) program level request will support current participation. The program will continue its emphasis on nutrition education by hiring and training nutrition aides to provide nutrition education for FDPIR participants. Nutrition Assistance to Puerto Rico is requested at the authorized level of \$1.2 billion.

Child Nutrition Programs. Increasing public understanding of proper nutrition is also a major Departmental objective that is promoted through the nutrition assistance programs. A priority continues to be increasing children's understanding of nutrition and improving their diets through Team Nutrition in the Child Nutrition Programs. The National School Lunch, School Breakfast, Summer Food Service, Special Milk, and Child and Adult Care Food Programs (CACFP) also play a significant role in achieving this goal by assisting State and local governments in serving healthful, nutritious meals to children in various settings, with greatest emphasis on helping low income children. These programs assist pre-school and school-aged children by subsidizing the provision of nutritious meals and helping to assure that children are in school ready to learn and that they learn by example about proper nutrition. Special subsidies are also provided under these programs so that low-income children receive meals free or at a greatly reduced price.

FOOD, NUTRITION, AND CONSUMER SERVICES

For 1998, funds are requested for the Child Nutrition Programs to provide for the increases in the number of free meals served. The Department continues to make critical improvements in the nutritional quality of school meals and to help schools bring their meals into compliance with the Dietary Guidelines for Americans. These improved National nutrition standards, consistent National eligibility standards and the guarantee of free meals to low income children, are the key features of the school programs. The Healthy Meals for Healthy Americans Act of 1994 (P.L. 103-448) mandated that school meals comply with the Dietary Guidelines by School Year 1996/1997. Schools are offered a choice of menu-planning options, including a food-based menu system, to achieve nutritional goals.

To assist schools in serving nutritious meals that meet both the requirements of the Act and the critical demands of children for taste, the budget requests \$10 million for Team Nutrition and \$10 million for the Nutrition Education and Training (NET) program. The mission of Team Nutrition is to improve the health and education of children by promoting food choices for a healthful diet through the media, schools, families, and the community. Team Nutrition in coordination with NET will support a number of improvements, including training for staff from States and local School Food Authorities to help food service workers improve meals, and nutrition education to give children the skills and motivation necessary to make food choices for a healthy diet. FCS is also focusing on integrity in the Child Nutrition Programs through various efforts including ongoing efforts to resolve all suspension and debarment cases brought to its attention.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The WIC program helps improve the health of low-income pregnant, breastfeeding and postpartum women, infants and children up to their fifth birthday. WIC supplements households' food resources with coupons which recipients may redeem for specified foods such as milk, eggs, cheese, fruit juices, cereal and infant formula. In addition to these food supplements, WIC provides nutrition education and health care referrals. The program is credited with contributing to better birth outcomes and reductions in childhood anemia, key indicators of the health of America's children.

The 1998 budget request fulfills the President's commitment to full participation in the WIC program by the end of fiscal year 1998. The budget provides adequate resources to support average participation of 7.45 million participants and a year end level of 7.5 million. In addition, a supplemental of \$100 million is being requested to avoid large participation drops in 1997. The Department is working with States to ensure that major fluctuations in participation can be prevented with a supplemental and that the program stays on a path to full participation. So that the funds requested are directed to the areas of highest priority in the program, USDA is committed to improving program management by refining fund allocation procedures to be more responsive to State needs. USDA will also implement recommendations of the National Academy of Sciences, Institute of Medicine regarding State nutrition risk assessment and targeting practices. The Academy concluded that scientific evidence supports the majority of the nutrition risk criteria used by the States. USDA will be working with States on nutrition risk and income eligibility procedures to ensure that the criteria are applied appropriately. Finally, so that more

FOOD, NUTRITION, AND CONSUMER SERVICES

individuals can be served via WIC at lower costs, actions are planned to require that State infant formula rebate contracts be awarded on a lowest net wholesale cost basis. Further, to ensure that unexpected food cost increases do not hamper WIC goals, \$100 million in reserve budget authority has been requested to be used only in situations such as unexpected increases in food package costs.

Commodity Assistance Program. The Commodity Assistance Program (CAP) assists households with commodities distributed through several programs. The Emergency Food Assistance Program (TEFAP) provides administrative expense funding and certain commodities to the network of food banks and other programs which assist households in need of immediate, short-term food assistance. TEFAP providers also typically distribute significant quantities of commodities donated by the private sector, so program effects go much further than the budget. In addition to food banks and soup kitchens, food rescue and food gleaning operations may also be supported with TEFAP administrative funds. Commodities are also made available to soup kitchens and food banks, primarily to benefit the homeless. TEFAP funds for 1998 include both discretionary funding of \$45 million usable for program administration or food, at the election of State officials, and \$100 million available under the Food Stamp Program to be used for purchasing commodities for distribution to the States. In twenty States, the Commodity Supplemental Food Program (CSFP) provides commodities to low-income elderly and women, infants and children not on WIC. CSFP will provide for current participation levels, including provision for declines in WIC-type participation as eligibles shift more to the regular WIC program. In coordination with the Department of Health and Human Services (DHHS), FCS also administers the Nutrition Program for the Elderly (NPE) which provides subsidized meals to persons aged 60 or older at low-income elderly centers and the "meals on wheels" programs.

Food Program Administration. Funding of \$106 million is requested, the amount required to maintain stable program operation, to partially fund anticipated pay raises, pursue continuing program integrity operations, and continue the emphasis on improved nutrition in the domestic food assistance programs.

Nutrition Policy, Support, and Promotion. In further support of the Department's healthy meals initiative, and recognizing the proven link between good nutrition and good health (and lower health care costs), the budget recognizes the role of nutrition education for all Americans with a request for \$2.5 million, an increase of \$29 thousand to partially fund pay costs for the Center for Nutrition Policy and Promotion (CNPP). CNPP staff produce and promote the Food Guide Pyramid and the Dietary Guidelines for Americans (with DHHS). CNPP staff also calculate the Thrifty Food Plan, the basis for Food Stamp benefits, and the Moderate Cost Food Plan, the basis for military food cost allowances.

FOOD, NUTRITION, AND CONSUMER SERVICES

Domestic Food Assistance Programs Key Indicators

	1996 Actual	1997 Estimate	1998 Estimate
Average Participation, millions:			
Food Stamps	25.5	24.3	23.4
Free School Lunch	12.7	13.0	13.2
School Lunch, Total	25.7	26.2	26.5
Free Breakfast	5.4	5.6	5.9
Total Breakfast	6.7	7.0	7.3
WIC	7.2	7.4	<u>a/</u> 7.45
Commodity Supp. Food Program (CSFP):			
WIC-type	0.14	0.13	0.12
Elderly	0.22	0.24	0.19
Food Distribution Program on Indian			
Reservations (FDPIR)	0.12	0.11	0.12
Nutrition Program for the Elderly			
(NPE), annual meals	246.4	248.3	248.3
Unemployment Rate	5.5%	5.3%	5.5%
Average/person/month food benefit in \$:			
Food Stamps	\$73.28	\$72.96	\$77.27
WIC	31.17	32.25	33.17
CSFP: WIC-type	17.85	20.23	20.00
CSFP: Elderly	15.29	17.77	17.47
FDPIR	34.63	36.48	38.19
Per meal subsidies including commodities:			
Free School Lunch	\$1.95	\$1.99	\$2.05
Reduced Price School Lunch	1.55	1.59	1.65
Paid School Lunch	0.32	0.32	0.33
Free Breakfast (Severe need)	1.19	1.22	1.25
Paid Breakfast	0.20	0.20	0.20
NPE per meal subsidy (cents)	58.64	58.57	56.36

a/ Assumes a \$100 million 1997 supplemental.

NATURAL RESOURCES AND ENVIRONMENT

MISSION

The mission of the Natural Resources and Environment area is to promote the conservation, and sustainable use of natural resources on the Nation's private lands and to sustain production of all the goods and services that the public demands of the National Forests. Two agencies, the Natural Resources Conservation Service and the Forest Service, are primarily responsible for achieving this mission.

NATURAL RESOURCES CONSERVATION SERVICE (NRCS)

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Conservation Operations:			
Technical Assistance	\$539	\$529	\$549
Soil Surveys	76	76	82
Snow Surveys	6	6	6
Plant Materials Centers	9	9	9
Water Resources Assistance	95	87	76
Total, Conservation Operations	725	707	722
Watershed and Flood Prevention	99	90	40
Forestry Incentives Program	6	6	6
Resource Conservation and Development.	29	29	48
Outreach for Socially Disadvantaged Farmers	1	1	5
Colorado River Basin Salinity Control Program	3	0	0
Programs Funded by CCC:			
Environmental Quality Incentives Program	130	200	200
Farmland Protection Program	15	2	18
Conservation Farm Option	0	2	15
Wildlife Habitat Incentive Program	0	20	30
Wetlands Reserve Program	77	119	164
Total, NRCS	<u>\$1,085</u>	<u>\$1,176</u>	<u>\$1,248</u>

NATURAL RESOURCES AND ENVIRONMENT

With the exception of the Conservation Reserve Program (CRP), and the Forest Protection and Stewardship Program of the Forest Service, NRCS is now responsible for program and policy direction, financing, management, and delivery of most of the Department's conservation programs for non-Federal lands. This consolidation was an integral part of the USDA reorganization and has helped the Department's efforts to reduce overhead and make its program delivery capabilities more efficient.

The NRCS will channel most of its assistance to land users through the service centers and the local conservation districts which are units of State government organized for the purpose of developing and carrying out local conservation programs. USDA has entered into a Memorandum of Understanding with each conservation district which provides a basis for the Department's working relationship with the district. Most of NRCS' nearly 12,000 employees are located at the district or field office level and this proportion has increased under the Department's streamlining plan as headquarters and State level staff have been reduced.

USDA administers farm, rural development and conservation programs through county and other field offices. USDA will conduct a study in 1997 to determine opportunities for greater efficiencies in this delivery system.

Within the proposed level of 1998 funding for NRCS conservation programs of over \$1.2 billion, the Department will undertake a major effort to support its locally-led conservation assistance initiative. Under this initiative, the conservation districts, farmers and ranchers and other private landowners and users work with NRCS to identify the most critical local natural resource needs and concerns, and then use this information to help guide the implementation of USDA and other federal and state environment and conservation programs in the most effective manner possible. The performance of the new Environmental Quality Incentives Program, the Conservation Reserve Program, the Wetlands Reserve Program, and other conservation programs will be improved by this effort. The 1998 budget includes a substantial increase in the acquisition of easements under the Wetlands Reserve Program in support of the Administration's goals for protecting and restoring wetlands. In addition, USDA will continue to place emphasis on working in partnership with the conservation districts and state conservation agencies to provide assistance to farmers, ranchers, and other landowners and users to conserve and protect the country's natural resources on private lands. Under this budget, this conservation partnership will also continue to provide farmers with needed technical assistance to develop and maintain conservation compliance plans. In the watershed construction area, the Department will continue its efforts to direct funds to only those projects that meet established environmental criteria and where local sponsor support is strong. The Department will also make available subsidized water resource development loans in helping sponsors meet watershed project funding needs. NRCS assumed responsibility for the Socially Disadvantaged Farmers Outreach Program in 1997. The proposal for 1998 would increase the appropriation to NRCS by \$4 million bringing the total appropriated for this activity to \$5 million.

NATURAL RESOURCES AND ENVIRONMENT

Conservation Operations. The 1998 budget proposes \$722 million for conservation operations which includes \$549 million for conservation technical assistance. This will support the agency's base program which are those NRCS activities that support locally led, voluntary conservation through the partnership that has been developed over the years with each conservation district. The base program provides the foundation that enables the Department to implement other critical programs including conservation compliance, the CRP and the new conservation initiatives called for in the 1996 Farm Bill. Also included in the request is an increase of \$4 million for training in rangeland conservation and improving the skills of the non-Federal conservation district staff. In 1998, a \$5 million increase for digitizing soil surveys will help farmers and ranchers select suitable soil management practices. A \$10 million increase is requested to accelerate the purchase and preparation of geographic information systems (GIS) related technology which help to modernize USDA field office operations and support the development of USDA service centers. Beginning in 1998, the salaries and expenses component of the Watershed and Flood Prevention Operations (\$60 million), and the entire Watershed Surveys and Investigations Program (\$16 million) will be incorporated into the Conservation Operations account. This will reduce the number of NRCS accounts, improve administrative efficiency and increase the opportunity to target resources to the highest priorities.

Watershed and Flood Prevention Operations (WFPO). The 1998 budget proposes a funding level of \$40 million for this activity which will be devoted entirely to project implementation costs. This is about \$50 million less than the level of funding provided in 1997 due to the \$63 million Disaster Supplemental Appropriation in 1997 for Emergency Watershed Operations. As indicated above, technical support for this program, beginning in 1998, will come from the Conservation Operations account. The Department will continue to make significant changes in its watershed operations program in order to implement a new watershed approach that focuses project implementation funds on the most cost effective and environmentally beneficial projects and emphasizes nonstructural management systems. NRCS will also continue its effort to reduce the backlog of unfunded work by continuing to examine approved watershed plans in order to deactivate or revise those that have become infeasible or where local sponsor interest is no longer strong. The Department is proposing language for WFPO that will include a provision to allow up to \$15 million for the subsidy costs of municipal loans administered by the Rural Utilities Service in order to give project sponsors an additional option in securing needed implementation funds.

Resource Conservation and Development (RC&D). The purpose of the RC&D program is to encourage and improve the capability of State and local units of government and local nonprofit organizations in rural areas to plan, develop, and carry out programs for resource conservation and development. NRCS also helps coordinate available Federal, State, and local programs. The 1998 budget will support the 289 authorized RC&D areas and includes an increase of \$19 million to fund local, non-federal watershed coordinators to assist in watershed planning and rangeland conservation.

NATURAL RESOURCES AND ENVIRONMENT

Forestry Incentives Program (FIP). For the Forestry Incentives Program, the 1998 budget proposes to maintain funding at the 1997 appropriated level of \$6 million. This will provide cost-sharing for the highest environmental benefits through tree planting on 111,273 acres, and timberstand improvement on over 25,000 acres, and forestry site preparation on an estimated 1,970 acres. This would be in addition to the tree planting effort reflected in the \$10 million request for the Forest Service's Stewardship Incentives Program.

Outreach for Socially Disadvantaged Farmers. The objective of this program is to enhance the ability of small and minority producers to operate farming and ranching enterprises independently and produce income adequate to service debts, maintain farm operations, and provide a reasonable standard of living. In addition to funds provided in the 1997 appropriation, \$4.5 million of the Fund for Rural America is being used to support this program in 1997.

The program is operated through cooperative agreements with 1890 Land Grant Institutions, Native American community colleges, Hispanic serving institutions and community-based organizations. These entities provide intensive training and management assistance to small farmers or ranchers, particularly minority farmers or ranchers in selected states. Each participant in the program is visited one to three times a month by a farm management specialist with expertise in farm management and production. Assistance provided includes developing individualized custom farm plans, improving production and marketing practices, and implementing farm accounting systems and recordkeeping.

Programs Funded by CCC. The 1996 Farm Bill authorized new conservation programs, continued those that have proven to be effective, and eliminated others that were no longer necessary. New and reauthorized programs include the Environmental Quality Incentives Program (EQIP), Farmland Protection Program (FPP), Conservation Farm Option (CFO), Wildlife Habitat Incentive Program (WHIP) and Wetlands Reserve Program (WRP) and the Conservation Reserve Program (CRP) all of which will be carried out through funding made available by the Commodity Credit Corporation (CCC) (See page 21.)

EQIP combines into a single program the functions of four previous incentive-based programs: the Agricultural Conservation Program, the Great Plains Conservation Program, the Water Quality Incentives Program, and the Colorado River Basin Salinity Control Program. The purpose of the program is to provide flexible technical and financial assistance to landowners that face serious natural resource challenges that impact soil, water and related natural resources, including grazing lands, wetlands, and wildlife habitat management. In addition, it was designed to help producers make beneficial and cost-effective changes to cropping and grazing systems, and in manure, nutrient and pest management, that conserve and improve soil, water, and related natural resources.

The FPP program is designed to forge new and enhance existing partnerships between Federal, State and local Governments in sharing the costs of acquiring conservation

NATURAL RESOURCES AND ENVIRONMENT

easements. FPP will provide technical, educational, and financial assistance to State and local programs that acquire conservation easements on eligible lands to address wetlands, wildlife habitat, soil, water and related natural resource concerns. The purpose of the program is to achieve solutions to local community issues related to the non-agricultural use of farms, ranches and rural lands.

The CFO will be a pilot program that will give producers an option of a 10-year contract as a single annual payment equivalent to the amount they would have received under CRP, WRP, and EQIP. The CFO is intended to address the conservation of soil, water and related resources, water quality, wetlands protection, wildlife habitat, and similar conservation purposes. The CFO provides a voluntary approach to implementing full farm conservation plans to include the use of multiple conservation practices.

WHIP is a voluntary program that will provide cost-sharing for landowners to apply a wide array of wildlife practices to develop habitat that will support upland wildlife, wetland wildlife, threatened and endangered species, fisheries, and other types of wildlife.

WRP is a voluntary program in which landowners are paid to retire cropland from agricultural production if those lands are restored to wetlands and protected, in most cases, with a long-term or permanent easement. Landowners receive fair market value for the land and are provided with cost-share assistance to cover the restoration expenses. The 1996 Farm Bill changed WRP to give producers the option of long-term or permanent easements, or restoration cost-share agreements under which landowners will agree to restore wetlands without payment for the land, receiving only cost-share assistance. For 1998, the budget proposes to enroll an additional 212,000 acres into the program which would bring total cumulative enrollment to more than 655,000 by the end of 1998. The Administration's goal for WRP remains one of reaching total enrollment of 975,000 acres by the end of calendar year 2002.

The CRP is administered by the Farm Service Agency and is described on page 18.

NATURAL RESOURCES AND ENVIRONMENT

FOREST SERVICE (FS)

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Discretionary Accounts:			
Management of the National Forest System:			
National Forest System	\$1,282	\$1,275	\$1,326
Reconstruction and Construction	224	175	146
Wildland Fire Management:			
Presuppression	295	319	303
Suppression	90	211	211
Land Acquisition Accounts	41	42	42
Other Accounts	4	4	4
Total	1,936	2,026	2,032
Forest and Rangeland Research	178	180	180
State and Private Forestry	137	155	156
Southeast Alaska Assist. Fund	110	0	0
Total, Discretionary Accounts	2,361	2,361	2,368
Mandatory Accounts:			
Permanent Working Funds	226	238	230
Payments to States	266	262	269
Trust Funds	231	303	269
Total, Mandatory Accounts	723	803	768
Total, Ongoing Programs	3,084	3,164	3,136
Emergency Accounts:			
Pest Suppression	17	0	0
Fire Suppression	100	300	a/
Available Fire Supp. Contingency	0	(250)	0
Total, Emergency Accounts	117	300	0
Total, FS	\$3,201	\$3,464	\$3,136

a/ The 1998 budget proposes a Governmentwide emergency contingency fund.

NATURAL RESOURCES AND ENVIRONMENT

The Forest Service, with an employment ceiling of over 37,000 staff years in 1997, is the largest employer in USDA. The 1998 ceiling is 36,800 which assumes a continuation of the streamlining efforts begun in 1993. The FS operates in three major program areas:

- Management of the National Forests and Grasslands. The Forest Service manages approximately 191 million acres of public land -- about 110 percent of the area of the State of Texas -- located in 44 States, Puerto Rico, and the Virgin Islands. These lands, known collectively as the National Forest System, are managed for multiple use on a sustained-yield basis using sound ecological principles to meet the needs of people today while maintaining or improving the productivity, health, resilience and vigor of forest resources for future generations. The national forests produce diverse benefits for the American people ranging from outdoor recreation, wildlife and fish, to timber, forage, and minerals.
- Forest and Rangeland Research. The Forest Service maintains the world's largest forest research organization. While it has a very broad mission to develop the knowledge and technology needed to enhance the economic and environmental values of all the Nation's forests and related industries, it also must support the specific research needs that arise from the FS's prime responsibility of managing the National Forest System.
- State and Private Forestry. The Forest Service makes grants and provides technical assistance to State forestry agencies for protecting forest resources and improving forest management on nonindustrial private forest lands. Funding is provided for forest pest suppression on all Federal lands and cost-share assistance is made available for pest suppression on private lands. A cooperative fire protection program provides technical and limited financial support for State wildfire fighting organizations. The Forest Stewardship and Stewardship Incentives Programs provide technical and financial assistance to nonindustrial private landowners for a variety of stewardship practices including tree planting. In addition, there are several small programs which provide technical and financial assistance to natural resources dependent rural communities.

Northwest Forest Plan. The Northwest Forest Plan identifies and provides for the protection of key watersheds, old-growth forests, and numerous wildlife species in Northern California, Western Oregon and Washington. The decadal timber harvest for the areas affected by the plan is expected to be about one Billion Board Feet. Before timber sales can be offered in most areas, watershed assessments must be completed, and there will be an extensive monitoring program to ensure that the Plan's standards and guidelines are being met, that the desired results are being achieved, and that the Plan's assumptions are sound. In addition to land management, the Northwest Forest Plan provides for technical and economic assistance to communities and individuals who have been dependent on Federal timber supplies. The Forest Service has allocated resources to carry out the Northwest Forest Plan as shown in the following table.

NATURAL RESOURCES AND ENVIRONMENT

Forest Service Northwest Forest Plan (Dollars in Millions)

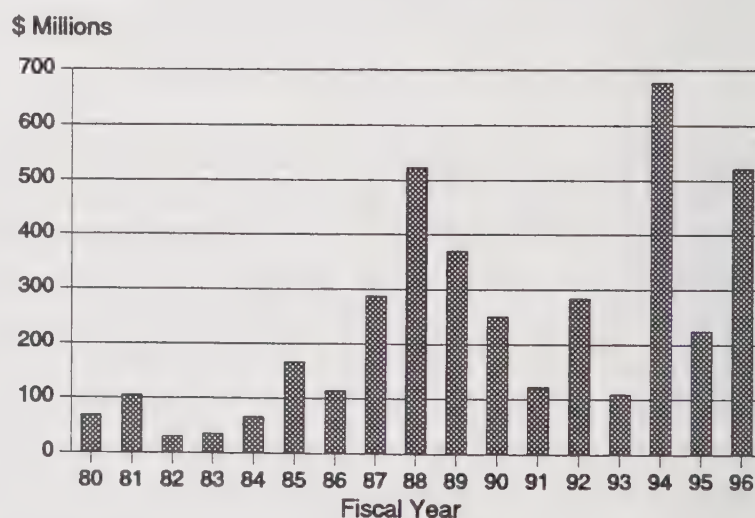
Program	1996 Actual	1997 Current Estimate	1998 Budget
Watershed Assessment	\$20	\$21	\$21
Sustainable Timber Sales Program	21	22	22
Adaptive Management Areas	8	8	8
Ecosystem Planning and Monitoring	12	20	20
Research	5	5	5
Ecosystem Restoration and Resource Projects	14	16	16
Rural Assistance	16	15	15
Total	<u>\$96</u>	<u>\$107</u>	<u>\$107</u>

In addition to FS funding, the Northwest Forest Plan is supported by funding from other USDA agencies such as RBS, RUS, RHS; the Departments of the Interior, Commerce, and Labor; and from the Environmental Protection Agency. Total Federal funding for 1998 is \$408 million, a 6 percent increase over the 1997 estimate.

Firefighting. The Firefighting program funds both presuppression costs such as the pay and training of permanent fire crews and aircraft availability, as well as the cost of actually suppressing fires. The cost of fire suppression has varied dramatically since 1980, and has been inherently unpredictable.

The 1994 and 1996 fire seasons were two of the most severe and expensive firefighting seasons on record. \$678 million was spent on fire suppression in 1994, and \$513 million was spent in 1996. The new 10 year average, which includes 1996, is \$324 million. This average has been exceeded four times in the last 10 years. Only twice in the last 10 years have the firefighting costs been below \$200 million. Firefighting has become more expensive because of the growth of

Fire Suppression Expenditures



urban areas into what were previously wildlands. This has meant that fire must be fought vigorously to protect human life and property rather than making decisions based solely on

NATURAL RESOURCES AND ENVIRONMENT

natural resource values. In addition, drought and insect infestations in some areas have caused a significant buildup of fuels.

The 1998 budget provides \$211 million for fire suppression which includes funding for fuels management. Through 1997, fuels management will be funded through the fire presuppression account. However, this activity is an important component of fire suppression as it reduces the fuel hazards that lead to costly fires. For this reason, the 1998 budget provides funding for fuels management in the fire suppression account. The proposed budget would allow funding for fuels management at a level between \$30 and \$50 million. Depending on suitable weather conditions, this funding level will allow treatment of between 850,000 and 1,300,000 acres in high priority areas where the risk of wildfire and long-term damage to resources can be reduced through improved fuels management.

Any fire suppression needs beyond the proposed appropriation would be accommodated from a proposed Governmentwide emergency contingency account. The 1998 budget requests \$5.8 billion in contingency funding for this Governmentwide emergency account. Funds from this contingency account would be available for fire suppression needs once all appropriated funds had been obligated, and a Presidential decision was made to make additional funds available.

Timber Program. In 1996, the volume of national forest timber sold was 3.4 Billion Board Feet (BBF). The current estimate is that 3.8 BBF will be offered for sale in 1998 compared to an estimated 4.2 BBF for 1997.

Recreation Related Programs. The National Forests are the leading Federal provider of total outdoor recreation use. The public uses the National Forests for a broad array of outdoor recreational experiences, including camping, hiking, hunting, fishing, and skiing, mountain biking, and snowmobiling. The forests also afford opportunities for such diverse pursuits as bird watching and participating in archaeological excavations. Funding in support of recreation includes the operation and maintenance of outdoor recreation facilities, wildlife and fish habitat work which supports game species as well as the wildlife resource generally, and land acquisition which gives a high priority to ensuring the protection of national recreation areas, designated wilderness, and wild and scenic river corridors.

NATURAL RESOURCES AND ENVIRONMENT

Forest Service Recreation Related Programs (Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Recreation and Trails:			
Recreation Operations and Maint.	\$164	\$164	\$168
Wilderness Management	33	33	34
Heritage Resources	14	14	14
Facilities Construction	36	48	22
Trail Construction	20	22	28
Total, Recreation and Trails	267	281	266
Wildlife:			
Wildlife Habitat	28	28	30
Inland Fisheries Habitat	15	15	17
Total, Wildlife Related to Rec.	43	43	47
Land Acquisition	41	42	42
Total	<u>\$351</u>	<u>\$366</u>	<u>\$355</u>

Forest Ecosystem Restoration and Maintenance: The 1998 budget proposes the establishment of an ecosystem restoration fund to provide support for a wide range of forest ecosystem health activities. Tied to this proposal is the limitation of the Timber Salvage Sale Fund to the sale of dead and dying trees for commodity purposes. Expenditures from the Salvage Fund would be capped at \$100 million. Any receipts generated by the salvage fund above \$100 million per year would be transferred to the Forest Ecosystem Restoration and Maintenance (FERM) fund. The fund would be authorized to retain any receipts generated from FERM activities. In addition, receipts currently designated for road and trail construction (10 percent of total receipts) would be deposited into the fund. FERM would be available for funding forest health-related timber removal as well as prescribed fire, pre-commercial thinning, brush removal, and watershed and habitat improvement.

Forest and Rangeland Research. For 1998, the budget proposes \$180 million which is the same as the 1997 funding level.

State and Private Forestry. Total funding for State and Private Forestry is proposed at \$156 million for 1998. Protection of forest resources of all ownerships, including Federal lands, from damage due to pests is funded at \$53 million, a 10 percent increase over 1997. Assistance to State wildfire fighting agencies is funded at \$18 million.

FOOD SAFETY

MISSION

The Food Safety mission area oversees the Food Safety and Inspection Service, which ensures that the Nation's meat, poultry, and processed egg product supply is safe, wholesome, and properly labeled.

FOOD SAFETY AND INSPECTION SERVICE (FSIS)

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Federal Food Inspection	\$461	\$480	\$495
Import/Export Inspection	13	13	13
Laboratory Services	23	31	32
Field Automation & Information Mgmt .	8	8	8
Grants to States	40	42	43
Existing User Fees and Trust Funds . .	85	89	94
 Total, FSIS Program Level	 630	 663	 685
 Existing User Fees and Trust Funds . .	 -85	 -89	 -94
New User Fees	- -	- -	-390
 Total, FSIS Appropriations	 \$545	 \$574	 \$201

FSIS provides in-plant inspection to all domestic establishments preparing meat, poultry, and processed egg products for sale or distribution into commerce, and also reviews foreign inspection systems and plants exporting these products to the United States. FSIS provides technical and cost-sharing assistance to States that maintain inspection programs equal to the Federal inspection program. To accomplish these functions, FSIS employees are stationed in approximately 6,000 establishments, including 160 import stations. Regional and area offices and FSIS laboratories provide administrative, technical, and analytical assistance to in-plant personnel. Headquarters personnel are responsible for overseeing administration of the program and ensuring that the latest scientific and technological developments are incorporated into inspection procedures. FSIS coordinates the development of its policies with other USDA agencies, the Food and Drug Administration, the Environmental Protection Agency, the Centers for Disease Control and Prevention, as well as international organizations, to ensure an integrated farm-to-table approach to food safety.

FOOD SAFETY

On July 26, 1996, the Secretary announced a comprehensive reorganization of FSIS, designed to prepare for implementation of the new food safety system for meat and poultry that the President announced on July 6, 1996. The reorganization parallels the implementation of the final rule on Pathogen Reduction and Hazard Analysis and Critical Control Points (HACCP) systems that was published July 25, 1996. The rule replaces a system based on sight and smell with more scientific methods which will, require establishments that slaughter and process meat and poultry to target and reduce harmful bacteria on their products. The change in organizational structure is designed to make the best possible use of agency resources so that FSIS can meet the food safety and consumer protection challenges of the future. Implementation of the reorganization began in 1996 and will be completed in 1999.

For 1998, the budget proposes a program level of \$685 million, a net increase of \$22 million over the 1997 current estimate. The increase reflects funding for pay costs, inflation, and reductions due to streamlining. In support of the President's Inter-agency Food Safety Initiative the budget also includes an increase of \$1.1 million for new initiatives to: provide HACCP training to State and local food regulatory officers and support expanded pathogen data analysis from the Centers for Disease Control and Prevention. In addition, increases are also provided to manage the growing Codex Alimentarius information workload and to acquire information systems to facilitate restructuring of a streamlined field workforce.

New User Fees. The 1998 budget request proposes legislation to provide FSIS the authority to recover \$390 million in new user fees to pay for the cost of salaries and benefits for in-plant inspectors. Because taxpayers and the industry are both beneficiaries of the safe food supply ensured by the inspection system, both should share in the cost of operating the system. This user fee proposal would result in industry paying about 70 percent of the total cost of the meat, poultry and egg products inspection system, while taxpayers would continue to finance approximately 30 percent of the cost of the system. This cost-sharing proposal will allow FSIS to meet the growing demand for inspectors, and meet the need to invest limited resources in new inspection system improvements designed to enhance safety and productivity. The overall impact on prices as a result of these fees has been estimated to be less than one cent per pound of meat and poultry production.

Federal Food Inspection. FSIS inspects all carcasses in slaughter plants for disease and other abnormalities, and samples for the presence of chemical residues. Other responsibilities include the application of uniform standards for sanitation, equipment, and facilities, and humane methods of slaughter. Meat and poultry processing operations are inspected by FSIS on a daily basis. Typical processing operations include cutting, boning, curing, and canning. Inspector activities include review of plant operations for sanitation and cleanliness, labeling, and packing functions. FSIS provides mandatory continuous in-plant inspection to egg product processing plants. The inspector checks the acceptability of eggs, the sanitation of plant and equipment, and determines if the egg products have been properly processed. FSIS reviews inspection systems in

FOOD SAFETY

countries exporting meat, poultry and egg products to the U.S. and inspects imported products at ports-of-entry.

Laboratory Services. FSIS operates three laboratories and has agreements with two other private laboratories to perform the scientific testing in support of inspection operations. Samples sent to the laboratories are analyzed for food chemistry and to identify the presence of pathogens, residues, additives, disease, and foreign matter.

Field Automation and Information Management (FAIM). FAIM provides improved telecommunications capability among the widely dispersed field workforce.

Grants to States. FSIS has authority to approve State meat and poultry inspection programs for products travelling in intrastate commerce. FSIS reviews State inspection programs to assure that standards, at least equal to Federal standards, are applied to meat and poultry plants under State jurisdiction. For State inspection programs, USDA contributes, through the Grants to States Program, up to 50 percent of each State's costs. Currently, 26 States participate in the program.

Existing User Fees and Trust Funds. Currently, user fees are collected to recover the cost of inspection provided beyond regularly scheduled operations and on holidays. Establishments requesting voluntary inspection services, which are not mandated by law are also charged a user fee to recover the full cost of the inspection.

RESEARCH, EDUCATION, AND ECONOMICS

MISSION

The Research, Education and Economics (REE) mission area is assigned Federal leadership responsibility for the discovery and dissemination of knowledge spanning the biological, physical, and social sciences related to agricultural research, economic analysis, statistics, extension, and higher education. REE responsibilities are carried out by four agencies:

- The Agricultural Research Service (ARS) is the principal in-house physical and biological science research agency in USDA.
- The Cooperative State Research, Education, and Extension Service (CSREES) is the Federal partner in the USDA-supported system of extramural scientific research, higher education, and extension in the United States.
- The Economic Research Service (ERS) is the principal intramural social science research agency in USDA.
- The National Agricultural Statistics Service (NASS) provides the official current statistics on agricultural production and indicators of the economic and environmental welfare of the farm sector. Beginning in October 1996, NASS assumed responsibility for conducting the Census of Agriculture, previously conducted by the Bureau of the Census of the Department of Commerce.

The REE mission is accomplished through programs and initiatives set forth in the 1998 budget that create and disseminate knowledge and provide education to achieve the five general goals of the REE mission area. They are:

- an agricultural production system that is highly competitive in the global economy;
- a safe and secure food and fiber system;
- a healthy, well-nourished population;
- greater harmony between agriculture and the environment; and
- enhanced economic opportunity and quality of life for Americans.

The 1996 Farm Bill extended authorities for the research title through 1997. Legislation will be proposed this year to extend programs which are expiring consistent with Administration priorities for research, extension and education programs.

RESEARCH, EDUCATION, AND ECONOMICS

AGRICULTURAL RESEARCH SERVICE (ARS)

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Research and Information:			
Soil and Water Conservation	\$84	\$85	\$82
Plant Science	239	243	246
Animal Science	112	115	116
Commodity Conversion and Delivery	141	143	141
Human Nutrition	63	63	75
Integration of Agricultural Systems . .	31	30	29
Information and Library Services . . .	19	18	18
Repair and Maintenance	18	18	18
Contingency Research Fund	1	1	1
Trust Funds	14	15	15
Total, Research and Information .	723	731	741
Buildings and Facilities	30	69	59
Total, ARS	<u>\$753</u>	<u>\$800</u>	<u>\$800</u>

ARS provides access to agricultural information and develops new knowledge and technology needed to solve technical agricultural problems of broad scope and high national priority. ARS is responsible for the National Agricultural Library (NAL), the Nation's major information resource in the food, agricultural and natural resources sciences. ARS has 103 locations throughout the U.S. and abroad. Beltsville, Maryland is the site of the world's largest multi-disciplinary agricultural research facility.

The 1998 budget includes a \$10 million net increase for ARS research programs. Within the total, the agency will be redirecting \$23 million from a number of ongoing research projects to fund higher priority work.

Soil and Water Conservation. Development of a sound scientific basis to provide advanced technical assistance and education to producers to manage and conserve soil and water resources is the primary focus of this research area. Federal research in ARS will continue high priority programs in climate change, water quality and economically and environmentally sustainable production systems. An increase of \$1 million is proposed to develop more efficient and sustainable methods for managing pastures and grazing

RESEARCH, EDUCATION, AND ECONOMICS

lands, including the development of new technology needed to mitigate environmental impacts from intensive forage/livestock production operations.

Plant Science. Ongoing ARS research addresses a wide range of crop production issues, including pest and disease resistance, maintenance and improvement of plant germplasm and understanding basic plant development and function. A \$4 million increase is proposed to undertake additional Integrated Pest Management (IPM) research. ARS will continue to collaborate with the Cooperative State Research, Education, and Extension Service and other public and private entities to demonstrate, through pilot tests and the development of decision support systems, the economic and environmental benefits of species-specific pest management technologies. Within the \$4 million program, ARS will commit \$3 million to support research on host-plant resistance and biological control of pests in corn, cotton, and vegetable crops. IPM practices must be evaluated in a large area (ecosystem) setting. Research initiatives funded at \$1 million will be undertaken to scale-up selected pilot IPM projects consistent with the areawide IPM management approach. These efforts will support the Administration's goal of implementing IPM practices on 75 percent of crop acres by the year 2000.

An increase of \$2 million is targeted for work to expand USDA's plant germplasm collections. With the increase, the genetic resources collection will be expanded to fill gaps and preserve rare samples. In addition, research will be conducted to develop long-term preservation methods for germplasm resources.

As part of the Administration's Emerging Infectious Diseases Initiative, the budget includes an increase of \$2.5 million to develop methods to reduce the risk to U.S. crop production from infection with exotic foreign and new domestic plant diseases. Research funding will be devoted to development of resistant varieties, rapid detection methods, and strategies for control and eradication of emerging plant diseases, including a significant multifaceted effort on Karnal bunt disease of wheat, which was found for the first time in the United States in March 1996 and threatens the U.S. wheat export industry.

ARS is also seeking \$2 million to fund high priority research in support of the President's South Florida Ecosystem Restoration Initiative.

Animal Science. Research in this program is directed toward solving major issues faced by producers and consumers of meat and poultry products. Areas of ARS emphasis include disease prevention, genetics and genome mapping, reproduction, and production-related nutrition and food quality and safety concerns. An increase of \$1.6 million will be used to develop new technologies for detection and control of pathogens at the producer level. This will support the Administration's Food Safety Initiative to ensure a safe and wholesome meat and poultry supply. Research will include the development of detection methods, knowledge of how pathogens are transmitted to animals, and identification of production practices which contribute to the incidence of contaminated food products. ARS animal science research will be coordinated with post-harvest research described

RESEARCH, EDUCATION, AND ECONOMICS

below and with funding being proposed in the CSREES budget as part of the Administration's Food Safety Initiative.

A \$2.5 million program to support research on Emerging Exotic Diseases of Livestock is proposed in the 1998 budget as part of the Administration's Emerging Infectious Diseases Initiative. Research will address the need to control the spread of non-native animal diseases through the development of diagnostic methods and the determination of the transmission mode in live animals. Research will address the need to increase resistance of host animals and the prevention of zoonotic diseases, which threaten the health of livestock and humans.

Commodity Conversion and Delivery. This research within ARS focuses on post-harvest food safety and quality concerns, development of new food and industrial uses for agricultural commodities and elimination of barriers to the export of commodities. An increase of \$2.5 million as a component of the Administration's Food Safety Initiative is proposed in 1998 to allow scientists to explore post-harvest means to control pathogens. Research is proposed to develop intervention and control strategies to be used during production and processing that will support the Hazard Analysis and Critical Control Point (HACCP) approach implemented by the Department's Food Safety and Inspection Service (FSIS). Research is proposed to assist FSIS and the Food and Drug Administration in their regulatory roles to control contaminants of both plant- and animal-derived foods.

Human Nutrition. ARS supports six research centers dedicated to developing a better understanding of nutrition needs of diverse populations, including children, the elderly, pregnant and lactating women, and healthy adults. Results of this work identify the impact of food components in reducing chronic disease risk and define health outcomes. ARS research activities in this area are closely coordinated with nutrition programs in USDA and medical research programs in the Department of Health and Human Services. The 1998 budget includes funding to begin a major Departmental initiative to double the amount available for the human nutrition research centers by 2002 to \$112 million. The Food Quality Protection Act of 1996 requires the Secretary of Agriculture to provide the Environmental Protection Agency information on food consumption patterns of a statistically valid sample of infants and children. Included in the 1998 proposal is \$6 million for a new survey to capture food intake data of infants and children. An additional \$6 million is included to fund research aimed at determining dietary requirements to promote health and enhance quality of life at all stages of the human lifecycle. This initiative builds on the President's goal of providing more opportunities for children to lead healthy and productive lives.

Integration of Agricultural Systems. Research in this category includes projects to integrate the results of specific programs into production systems which are sustainable, environmentally-benign and profitable for farmers and ranchers. Projects include the development of models and decision support systems for education and technical assistance programs designed to assist producers in making production decisions and managing natural resources.

Information and Library Services. As part of ARS, NAL will continue to provide access to agricultural information through its online database and CD-Roms. NAL is striving to provide agricultural information electronically and has initiated efforts to catalog, manage, and disseminate agricultural related data through the Internet. This will increase USDA employees', researchers', and the general public's access to many of the library's resources.

Buildings and Facilities. Innovative research depends upon the availability of modern facilities. Many of the major ARS facilities were constructed prior to 1960, are functionally obsolete and need major modernization to bring them up to current health and safety code requirements. A total of \$59.3 million is proposed in 1998 for nine facilities.

- Parlier, California (\$23.4 million) -- construction of a replacement laboratory for horticultural crops and water use efficiency research now conducted in Fresno, CA where urban development in the surrounding area and facility deficiencies pose serious problems. Work conducted here focuses on the key problems and challenges of agricultural production in the most intensive and diverse growing area of California.
- Ft. Lauderdale, Florida (\$4 million) -- construction of a quarantine facility for the study of biological agents to control the spread of *Melaleuca* in South Florida. This research facility directly supports the Administration's initiative to restore the South Florida Everglades Ecosystem and is being coordinated with the Administration's Everglades Task Force.
- Peoria, Illinois (\$8 million) -- completion of the first phase of construction -- a bioprocessing pilot plant -- of the planned renovation of the North Wing of the National Center for Agricultural Utilization Research.
- Beltsville, Maryland (\$3.2 million) -- continued funding for modernization of the agricultural research center, consistent with the overall facility plan. The 1998 proposal includes construction of a replacement animal feed center, and installation of fiber optic cable to improve information sharing within the complex.
- Beltsville, Maryland (\$6 million) -- funding for modernization of the National Agricultural Library, including alteration of the first floor, sprinkler installation, boiler replacement, and several smaller projects.
- Plum Island, New York (\$5 million) -- continued modernization of the foreign animal disease facility, including a replacement boiler plant.
- Philadelphia, Pennsylvania (\$5.2 million) -- construction to modernize the chemical wing laboratory, phase four of a nine phase plan to modernize this regional research facility.

RESEARCH, EDUCATION, AND ECONOMICS

- New Orleans, LA (\$1.1 million) -- continued modernization of the regional research facility. The design phase will begin for modernization of the Industrial Wing.
- Montpellier, France (\$3.4 million) -- construction of facilities for the European Biological Control Laboratory. This laboratory serves as the focal point of ARS exploration in Eurasia, the Middle East, and North Africa for natural enemies of insect and weed pests that attack domestic crops and animals.

COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE (CSREES)

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Research and Education	\$423	\$424	\$424
Extension Activities	428	426	418
Subtotal, Programs	851	850	842
Buildings and Facilities	58	62	0
Total, CSREES	<u>\$909</u>	<u>\$912</u>	<u>\$842</u>

USDA provides funding for agricultural research, education, and extension conducted in partnership with the State Agricultural Experiment Stations, State Cooperative Extension Systems, and other institutions. Federal funds are distributed to university and other partners by statutory formula, competitive awards, and other means. USDA serves as a leader and coordinator of the various planning and oversight processes through which priorities are set and programs are administered. CSREES is also responsible for administering the Community Food Projects Grant Program which is funded through the Food Stamp Program, as well as the competitive grant program for research, education and extension of the Fund for Rural America. (See page 97 for more information on the Fund for Rural America.)

The budget for cooperative research and education activities reflects stable funding for the basic formula programs and increases for selected programs that address broad national problems and/or represent specific components of national initiatives. Other special grants and construction projects, which focus on local concerns, are slated for reductions. Similarly, the budget for cooperative extension programs reflects stable funding for most programs, with increases for several high priority initiatives.

RESEARCH, EDUCATION, AND ECONOMICS

Cooperative State Research, Education, and Extension Service Cooperative Research and Education Activities Program Level (Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Hatch Act	\$169	\$169	\$169
1890 Universities.	28	28	28
Cooperative Forestry	20	20	20
Animal Health and Disease Formula . .	5	5	5
National Research Initiative (NRI):			
Natural Resources and Environment	17	17	27
Plants	36	36	47
Animals	23	23	29
Nutrition, Food Safety and Health . .	7	7	11
Processes and New Products	7	7	9
Markets, Trade, and Rural Development	4	4	7
Total, NRI	94	94	130
Special Research Grants	50	50	10
Improved Pest Control	12	12	25
Sustainable Agriculture	8	8	8
Aquaculture Centers	4	4	4
Supplemental and Alternative Crops . .	1	1	1
Critical Agricultural Materials Act and Rangeland Research Grants	1	1	0
Federal Administration	10	10	3
Higher Education	9	10	10
Payments to 1994 Institutions	1	1	1
Native American Inst. Endow. Fund . .	(5)	(5)	(5)
1890 Capacity Building Grants	9	9	9
Community Food Projects	1	2	2
Total, Research and Education	423	424	424
Buildings and Facilities	58	62	0
Total, Cooperative Research and Education Programs	\$481	\$486	\$424

Hatch, 1890's, Cooperative Forestry and Animal Health Formulas. Formula distributions to the State Agricultural Experiment Stations (SAES), 1890 Land-Grant Institutions and Tuskegee University (1890's) and other research institutions provide funds to conduct broad programs of agricultural and forestry research. Evans-Allen formula funds support research activities at the 1890 historically Black land-grant schools. On a nationwide basis, Hatch Act formula funds represent about 8 percent of the research funding at SAES, while formula funds provide nearly all of the research funding at the 1890's.

National Research Initiative. The 1998 research budget proposes an increase of \$36 million for the National Research Initiative (NRI). The NRI supports both fundamental and mission-linked research through a competitive, peer-reviewed process that is open to all of the Nation's scientists. A wide range of environmental, health, and nutrition concerns have added complexity to production management decisions faced by agricultural producers. At a national level, there is interest in assuring the safety of the food supply, providing systems for sustainable food and fiber production, improving nutritional status, enhancing international competitiveness and improving economic opportunities for rural residents. Breakthroughs and new approaches to problem solving in the biological sciences have equipped researchers with powerful new tools to solve these continuing and emerging challenges. In 1998, the increased funding will be used to expand research on pressing food safety and environmental quality problems and to expand plant science research, especially the genetic enhancement of plants.

Special Research Grants. These grants fund research on designated problem areas at SAES and other institutions. Research grants targeting local issues or concerns which benefit limited specific sectors are not included in the budget. Funds are proposed for the following national priority special grant programs:

- Food Safety -- A new competitive research grants program for food safety research is proposed at \$2 million as a component of the Administration's Food Safety Initiative. Research will focus on pre-harvest and post-harvest slaughter issues related to biological factors including pathogen detection and control, and physical factors encompassing production, processing, and handling practices.
- Global Change (\$1.6 million) -- Funding is proposed for the operation of the Ultraviolet-B (UV-B) monitoring network which will generate data necessary for examining the impact of UV-B radiation on agriculture and the environment.
- Water Quality (\$2.8 million) -- Funding is proposed at the 1997 appropriation level to conduct research at universities and other research institutions to address water quality concerns in accordance with the overall USDA Research Plan for Water Quality.

- A total of \$2.5 million, an increase of \$0.5 million over the 1997 level, is included for the Binational Agricultural Research and Development (BARD) program. These funds support competitively awarded research grants in a range of scientific disciplines through a joint U.S.-Israel effort. Research projects will include agricultural economics, aquaculture, plant protection, and post-harvest food safety.
- A total of \$1.2 million is proposed to continue the National Biological Impact Assessment Program, Minor Use Animal Drugs Program, and Rural Development Centers at the 1997 levels.

Improved Pest Control. In 1998, in support of the Department's multi-year Integrated Pest Management (IPM) Initiative, funds are proposed for grants for high priority research to develop improved IPM systems and to conduct other programs related to the EPA's pesticide registration program. Total proposed funding is for the following activities:

- Integrated Pest Management and Biological Control (\$8.0 million) -- This grant provides funding for research proposals to enhance research and technology transfer which would enable pest management practices to be carried out on an area-wide cooperative basis. IPM and biological controls have been proven effective in controlling a number of pests and with further development, offer the potential to reduce the reliance on chemical controls. Research will focus on developing alternative pest management tactics for pest problems identified by farmers, researchers, and other members of IPM State and regional implementation teams.
- Minor Crop Pest Management (IR-4) (\$10.7 million) -- Proposed funding level is to assure that data are available to meet EPA's registration guidelines for pesticides used on minor crops. This grant will support research necessary to obtain initial EPA registration of safer pesticides for minor crops, including most fruits and vegetables and ornamental nursery crops. Emphasis will also be placed on biocontrol registrations. Tolerance reassessment, new deadlines, and other provisions of the 1996 Food Quality Protection Act will require IR-4 to focus on developing additional tolerance information to support existing minor use registrations and new registrations where new products are needed.
- Pest Management Alternatives (\$4.2 million) -- Total funding proposed for 1998 will support development of alternatives to existing pesticides that can no longer be used due to regulatory actions and genetic pest resistance. Competitive research grants will be awarded to develop replacement technologies for pesticides under consideration for regulatory action by EPA. In accordance with the August 1994 Memorandum of Understanding between USDA and EPA, the Department will identify, with grower input, a list of crop/pest control combinations where current control options are limited. EPA will work with USDA to identify pesticides under review for possible actions

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that might limit their availability for use in agriculture. This information will be housed in a database which will in turn be used by policymakers as a decision-support tool. Research funding will provide the major support to address the priority needs identified through the USDA/EPA review process.

- Pesticide Impact Assessment (\$1.3 million) -- Funding supports university scientists serving on assessment teams to determine the economic benefits and consequences of various pest control approaches for use in EPA re-registration activities.

Sustainable Agriculture. Environmental and profitability concerns have led many producers to examine alternative management systems which require the use of fewer off-farm inputs. Research will be conducted to develop and improve sustainable management practices for adoption in a wide variety of climate, soil, and crop settings. Research grants are awarded competitively through four regional centers.

Higher Education. Increased funding for higher education is proposed to restore the Institution Challenge Grants Program to the 1996 appropriated level. Funding will support curricula design and instruction delivery at the undergraduate level. Continued funding is proposed for Native American Institutions. Funds are provided to continue successful ongoing programs which support graduate and undergraduate education and which improve instructional capabilities in the food and agricultural sciences. Funding is held constant for the 1890 Capacity Building Grants Program which supports partnerships between the 1890's and USDA agencies to improve the research and instruction programs at these schools.

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Cooperative State Research, Education, and Extension Service Extension Activities Program Level (Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Smith-Lever 3(b&c) Formula	\$268	\$268	\$268
1890's	25	25	25
Renewable Resources Extension Act .	3	3	0
National Interest Programs:			
Children, Youth and Families at Risk	10	10	12
Food Safety	2	2	4
Low Income Nutrition (EFNEP)	61	59	59
Sustainable Agriculture	3	3	3
Pest Management	11	11	15
Pesticide Impact Assessment	3	3	3
Water Quality	11	11	9
Farm Safety	3	3	0
Rural Development Centers	1	1	1
Indian Reservation Extension Agents	2	2	2
Pesticide Applicator Training	0	0	2
Other Programs:			
1890 Facilities	8	8	8
Extension Services at 1994 Institutions	0	2	2
Agricultural Telecommunications . . .	1	1	0
Rural Health and Safety Education .	3	3	0
Federal Administration	12	12	5
Total, Extension Activities.	\$428	\$426	\$418

Smith-Lever 3(b&c), and 1890 Colleges. These formula programs provide non-designated support for education and technology transfer programs conducted through the partners of the Cooperative Extension System, including the 1890 colleges and Tuskegee University. Federal funds provide about one-third of Cooperative Extension funding nationwide.

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National Interest Programs. Funds are proposed to continue a number of National high priority programs that support education and technology transfer for farmers and local communities in the areas of agricultural production and food consumption. Funds are provided to State cooperative extension services through formula distributions and merit-based selections to support specific projects. Selected programs in this area include:

- Children, Youth and Families at Risk (CYFAR) -- a national network of collaborators support programs that focus on children, youth and families to promote positive, secure environments, improved child care, and reading and science literacy. The 1998 budget increases the CYFAR funding by \$2.1 million with appropriation language designating \$1.7 million for the 1890's consistent with provisions of the 1996 Farm Bill making these institutions eligible to participate in programs funded under Smith-Lever 3(d) .
- Food Safety -- As part of the Administration's intergovernmental Food Safety Initiative, increased funding will provide \$2 million to expand existing food safety extension programs. Education and training programs to support implementation of the HACCP approach for meat and poultry, and safe food handling practices for industry and consumers are included. Additional food safety education programs will be developed to address ongoing critical issues faced by industry operators, agricultural producers, and consumers. Key programs will include quality assurance, compliance education, and State certification for food handlers.
- EFNEP -- This program provides low-income families with information to increase nutrition knowledge and improve nutritional practices. Funds are distributed to each State on a poverty level-based formula. Funds are used primarily to hire community-based nutrition aides who meet regularly with EFNEP participants on a one-to-one basis or in small groups.
- Pest Management -- Increased funding of \$4 million is proposed to encourage farmers and handlers of agricultural products to adopt integrated pest management techniques. Technology transfer projects are conducted at regional, State and local levels and coordinated with research in support of the Administration's goal of extending the use of IPM practices to 75 percent of crop acres by the year 2000.
- Pesticide Impact Assessment -- This program provides data collected at the State level to define and evaluate the economic benefits and risks of selected pesticides having critical agricultural and forestry uses.
- Water Quality -- This program assimilates new technologies into ongoing programs and adapts them to site specific application. The program supports education efforts that contribute to adoption of cost effective, environmentally

sound production practices in areas with currently impaired water resources. A reduction of \$1.6 million from the \$10.7 million level in 1997 is proposed.

- Pesticide Applicator Training -- For a collaborative program with the Environmental Protection Agency, the budget provides \$1.5 million for training in IPM practices to growers, commercial applicators, and homeowners. The EPA is requesting a similar amount.

ECONOMIC RESEARCH SERVICE (ERS)

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Economic Analysis and Research . . .	\$53	\$53	\$54
Trust Funds	a/	a/	a/
Total, ERS	<u>\$53</u>	<u>\$53</u>	<u>\$54</u>

a/ Less than \$0.5 million.

ERS provides economic and other social science information and analysis on agriculture, food, natural resources, and rural America. Through the agency's research and analysis program, ERS produces economic information related to domestic and international agricultural developments; statistical indicators of food and consumer issues and concerns, including nutrition education and food assistance, food safety regulation, determinants of consumer demand for quality and safety, and food marketing trends and developments; agricultural resource and environmental issues; and the effect of public policies and private actions on national rural and agricultural conditions, including the transformation of the rural economy, the financial performance of the farm sector, and the implications of changing farm credit and financial market structures. The information produced by ERS is used both by private entities such as farmers and consumers and by public officials in developing, administering, and evaluating agricultural and rural policies and programs.

The proposed increase for 1998 provides for an improved data collection effort to support the evaluation and economic analysis of the adoption of resource conserving production practices. The information collected will allow ERS to more accurately assess the cost effectiveness of resource conserving production practices. In addition, an increase is also included for ERS' role in support of the Governmentwide

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initiative to provide statistical expertise for performance measurement to support implementation of the Government Performance and Results Act (GPRA) of 1993. ERS' special expertise will be in providing perspective and advice on bridging customer satisfaction measurement, with measuring success in meeting basic program goals for Federal programs conducted by the Department.

NATIONAL AGRICULTURAL STATISTICS SERVICE (NASS)

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Agricultural Estimates	\$77	\$79	\$80
Statistical Research and Service	4	4	4
Census of Agriculture	<u>a/</u>	18	36
Trust Funds	<u>b/</u>	<u>b/</u>	<u>b/</u>
Total, NASS	<u>\$81</u>	<u>\$101</u>	<u>\$120</u>

a/ Funded in the Bureau of the Census Budget.

b/ Less than \$0.5 million.

NASS administers the Department's program of collecting and publishing current national and State agricultural statistics. Statistical data provided by NASS are used in policy, production, and marketing decisions in both the private and public sectors. The agency conducts its estimating program through a network of 45 State Statistical Offices, which serve all 50 States. The majority of these offices are operated through cooperative agreements with State Departments of Agriculture or universities and function as joint State-Federal offices. NASS collects, summarizes, analyzes, and publishes agricultural production and marketing data for a wide range of items, including: number of farms and land in farms; acreage, yield, production, and stocks of major crops and selected specialty crops; inventories and production of livestock, poultry, fish, and dairy products; prices received by farmers for products, prices paid for commodities and services, and related indexes; cold storage supplies; agricultural chemical use; and other related areas of the agricultural economy and rural America. NASS annually publishes over 400 national reports that cover more than 120 crop and 45 livestock items.

The Census of Agriculture provides comprehensive statistical information on the agricultural sector of the U.S. economy at the National, State, county, and other geographic levels every five years. The Census also provides descriptive data on farm enterprises and data on selected agricultural subjects for the years following the census at the National, State and regional levels, and data on irrigation at the National, State and district levels.

The 1998 budget provides for a net increase of \$19.7 million above the 1997 estimate, which includes:

- \$18.5 million for the Census of Agriculture which will be conducted in 1998, the fourth year of the 6-year funding cycle. The Census questionnaires are prepared, labeled, and mailed; data are collected, entered into machine-readable format; edited, tabulated, and reviewed for approximately 2.5 million report forms. By changing the way the data is processed, NASS plans to collect and process the data in 25 percent less time than previous agricultural censuses.
- An increase of \$0.6 million to cover higher costs for the 3,200 survey interviewers in the field who are employed under a cooperative agreement and whose salary increases are not covered by Federal pay cost increases.
- An increase of \$0.5 million for NASS' role in support of the Governmentwide initiative to provide statistical expertise for performance measurement to support implementation of the GPRA of 1993. NASS would develop and refine sampling models and develop customer satisfaction questions for Federal services for valid performance measurement.

MARKETING AND REGULATORY PROGRAMS

MISSION

The mission of Marketing and Regulatory Programs is to facilitate the domestic and international marketing of U.S. agricultural products and to ensure the health and care of animals and plants while improving market competitiveness and the economy for the overall benefit of both consumers and American agriculture.

The Marketing and Regulatory Programs are administered by three agencies: the Agricultural Marketing Service; the Animal and Plant Health Inspection Service; and the Grain Inspection, Packers and Stockyards Administration.

MARKETING AND REGULATORY PROGRAMS

AGRICULTURAL MARKETING SERVICE (AMS)

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Marketing Services:			
Market News	\$20	\$22	\$22
Shell Egg Surveillance and Standards Development	6	7	7
Market Protection and Promotion:			
Pesticide Data Program	12	a/	10
Organic Certification	a/	a/	1
Other	3	5	5
Wholesale Market Development	2	2	3
Transportation Services	3	3	2
Total, Marketing Services	46	39	50
Payments to States	1	1	1
Section 32 Funds:			
Marketing Agreements and Orders (MA&O)	10	11	11
Commodity Purchase Services	6	6	6
Total, Section 32 Funds	16	17	17
Existing User Fees:			
Perishable Agricultural Commodities Act	10	9	9
Commodity Grading Services	148	162	163
Total, User Fee Funded Programs	158	171	172
Total, AMS Program Level	221	228	240
Existing User Fees and Trust Funds	-158	-171	-172
New User Fees (MA&O)	0	0	-11
Section 32 Funds	-16	-17	-6
Total, AMS Appropriations	\$47	\$40	\$51

a/ Less than \$1 million.

MARKETING AND REGULATORY PROGRAMS

AMS facilitates the marketing of agricultural products in domestic and international markets, while ensuring fair trading practices. AMS programs promote a competitive and efficient marketplace, which benefits consumers and producers. AMS is organized along commodity lines that reflect major segments of the agricultural industry. Headquarters staff are responsible for overseeing the administration of programs. AMS field employees are located in processing plants, at shipping points, produce terminals, auction houses, and warehouses. Field offices, established for supervision and administrative purposes, are located in key production areas. AMS has cooperative agreements with the States to administer in whole or in part several AMS programs. Under these agreements, State employees carry out the program under Federal supervision. A majority of AMS programs are voluntary and funded by the users of the program. In 1996, AMS closed 9 field offices and anticipates closing one during 1998. No closures are planned in 1997.

For 1998, the AMS budget proposes a program level of \$240 million of which \$183 million (76 percent) will be funded by user fees and \$57 million (24 percent) by appropriations and section 32 funds. Changes from the 1997 current estimate include funding for higher pay costs and reductions due to streamlining. The 1998 budget proposes to recover an additional \$11 million through user fees. Specific AMS activities and any programmatic changes include the following:

Marketing Services. AMS administers a variety of programs that enhance the marketing and distribution of agricultural products. Activities include the dissemination of market information, surveillance of shell egg handling operations, development of grade standards, protection of producers from unfair marketing practices, random testing of commodities for pesticide residues, development of organic standards, research and technical assistance aimed at improving efficiency of food marketing and distribution, and pesticide recordkeeping.

The 1998 budget includes an increase of \$320,000 to expand foreign market news reports to include South and Central America, and \$500,000 to expand reporting of livestock and poultry markets in accordance with the recommendations set forth by the Secretary's Advisory Committee on Agricultural Concentration. A \$9.8 million increase is requested to restore funding within AMS for the Pesticide Data Program (PDP) which was established to provide pesticide residue data on food commodities that would enable the government to respond effectively to food safety issues. In 1997, Congress provided funding for pesticide residue data collection and analysis within EPA. However, AMS is viewed as a neutral non-regulatory agency by the food industry and has received voluntary participation in the program by almost 900 sites in the ten participating States. AMS will be working with the participating States that are responsible for collecting samples, testing residues, and reporting residue data to AMS. PDP provides improved data collection of pesticide residues, standardized analytical and reporting methods, and increased sampling of foods most likely consumed by infants and children. The 1998 budget also includes an increase of \$0.5 million for a total of \$1 million for the Organic Certification Program. AMS plans to recover the full cost of this program through user fees.

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Payments to States. Under this program, AMS provides matching funds to State Departments of Agriculture for projects aimed at improving marketing efficiency, reducing marketing costs for producers, and lowering food costs for consumers. This program is funded at the 1997 level.

Section 32 Funds. Section 32 funds are equal to 30 percent of the gross customs receipts collected during each preceding calendar year and unused balances of up to \$300 million. These funds are used to offset expenses of the Child Nutrition Program; strengthen markets by purchasing surplus perishable agricultural commodities for distribution through feeding programs; administer marketing agreements and orders at the national level; and for public hearings and producer referenda. Marketing agreements and orders help stabilize market prices and the supply of milk, fruit, vegetables, and certain specialty crops. The orders are administered locally by marketing order committees and market administrators. Local activities are funded through assessments on regulated producers and handlers.

For 1998, legislation will be proposed to convert funding for the Federal administration of marketing agreements and orders from section 32 funds to increased assessments on producers and handlers benefitting from marketing agreements and orders. This proposal is estimated to generate \$11 million in new user fees.

Section 32 funds are also used to finance the administrative costs associated with the purchase of commodities that support domestic food assistance programs, such as the National School Lunch Program. In addition, AMS is responsible for developing the specifications used for food procurement throughout the Federal government.

Perishable Agricultural Commodities Act. This Act provides protection to producers, shippers, distributors, and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities. Full and prompt payment for such products is a key objective of the program. The program is funded through an annual licensing fee assessed against marketers of such products.

Commodity Grading Services. AMS provides voluntary commodity grading and classing services for dairy products, fresh and processed fruits and vegetables, meat and meat products, poultry, eggs, tobacco, and cotton. AMS recovers the cost of these services through user fees.

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE (APHIS)

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Pest and Disease Exclusion:			
Agricultural Quarantine Inspection (AQI) .	\$152	\$162	\$169
Fruit Fly Exclusion and Detection	16	21	21
International Programs	6	7	7
Screwworm	34	32	31
All Other.	16	15	15
Plant and Animal Health Monitoring:			
Animal Health Monitoring and Survey . . .	59	61	61
Animal and Plant Health Regulatory Enforcement	6	6	6
Pest Detection	4	4	9
Pest and Disease Management:			
Animal Damage Control Operations	27	27	24
Boll Weevil	18	16	6
Brucellosis Eradication	23	22	20
All Other	31	31	30
Animal Care	10	10	10
Scientific and Technical Services	52	53	53
Contingency Fund	5	5	4
Total, APHIS Salaries and Expenses . . .	459	472	466
Emergency Programs funded from CCC . .	35	43	0
Trust Funds	7	7	7
Buildings and Facilities	9	3	7
Total, APHIS Program Level	<u>\$510</u>	<u>\$525</u>	<u>\$480</u>
Recap:			
APHIS Appropriations	\$349	\$340	\$322
AQI User Fees	119	135	141
Emergency Programs	35	43	0
Trust Funds	7	7	7
New User Fees	0	0	10

MARKETING AND REGULATORY PROGRAMS

The Animal and Plant Health Inspection Service is responsible for protecting U.S. animal and plant resources from diseases and pests. The major areas of activity are as follows:

- Providing inspection and quarantine services at U.S. ports of entry to prevent the introduction of foreign or exotic diseases or pests;
- Surveying and monitoring the spread of plant pests and animal diseases for State, local, and private action;
- Administering control and eradication programs to combat outbreaks of plant pests and animal diseases;
- Providing scientific and technical assistance to mitigate damage caused by wildlife to agricultural, industrial, or natural resources;
- Inspecting for humane care and handling of animals used in research, exhibition or the wholesale pet trade; and
- Providing scientific and technical assistance for biotechnology, disease diagnostics, and pest control methods development.

APHIS conducts agricultural pest and disease inspection services at all major international airports, shipping ports, and land borders. The agency's field activities are managed through 10 regional offices and 420 field offices. Much of the agency's work is conducted in cooperation with State and local agencies, private groups, and foreign governments.

The 1998 budget proposes a program level of \$466 million for Salaries and Expenses, a \$6 million decrease below the 1997 current estimate. This funding level reflects reductions for program successes in many pest and disease management programs such as the brucellosis program, increased cost-sharing by beneficiaries for ADC Operations and transferring more responsibilities of eradicating boll weevil to cotton producers. The decrease also includes a reduction for the one-time relocation costs of transferring employees from the Denver Wildlife Research Center to the new research facilities of the National Wildlife Research Center in Fort Collins, Colorado in 1997. This funding level also includes increased funding for Pest Detection such as the Karnal bunt activities. Additionally, the 1998 budget proposes user fees to recover some of the costs for administering animal welfare, biotechnology, veterinary biologic, pink bollworm, and Swine Health Protection Act programs.

Agricultural Quarantine Inspection (AQI). The AQI program is the Nation's frontline defense against the introduction of dangerous agricultural pests and diseases from other countries. User fees are charged for inspection of international passengers, aircraft, ships, railcars and trucks. The 1998 budget proposes \$169 million for AQI activities consisting of increases in AQI appropriated funds and in AQI user fees. Increased traffic of untreated Asian and European agricultural products into the United States through

MARKETING AND REGULATORY PROGRAMS

Canada has created the need for increased inspections to reduce the risk of introducing exotic agricultural pests into the U.S.

Animal Damage Control. The 1998 budget proposes a reduction of \$3 million in the Federal share of ADC operating expenses, in order to reduce the significant disparity among States in the level of support that they provide. Currently, most States pay less than half of the total cost for the benefits that they receive. The budget would reduce the level of Federal assistance for each State so that it did not exceed 50 percent of the total program level.

Pest Detection. The 1998 budget requests \$9 million, as compared to \$4 million in 1997 for pest detection activities. This program increase provides for early detection of exotic plant pests to prevent sustained infestations and monitors the effectiveness of plant pest management programs. This increase would be largely devoted to the Karnal bunt (KB) program enabling APHIS to provide assurance to all trade partners that KB is not present in major wheat-producing areas of the United States. These activities would include implementing practices that enable the grain and feed industries and State cooperators to participate in surveys of wheat production areas to show disease-free status. This is the third year of a five-year nationwide survey program to detect KB. A portion of this increase will be devoted to cooperative research into the appropriate control of future potential infestations.

Boll Weevil. The 1998 budget proposes a reduction of \$10 million below the 1997 current estimate. APHIS intends to accelerate the discontinuation of cost-sharing program activities where the boll weevil no longer exists and will reduce the customary 30 percent cost-share in active or expanding program areas. The Agency is gradually transferring full operational responsibility for these activities to grower organizations in areas such as south Alabama, Florida, and Georgia. APHIS would continue to help offset initial startup costs in new program areas and would continue to oversee and provide technical support to boll weevil detection and control activities in eradicated and non-infested areas.

Brucellosis. The Department cooperates with State governments, industry organizations, and individual herd owners to eradicate brucellosis. The 1998 budget proposes \$20 million for brucellosis eradication. The success of the eradication program is significant. Nationwide only 15 States have not achieved Class "Free" status. As of August 31, 1996, there were 45 herds under quarantine compared to 80 herds at the end of August 1995.

Screwworm. The 1998 budget proposes funding of \$31 million, approximately the same as the 1997 current estimate. The Screwworm Eradication program protects the U.S. livestock industry by eradicating screwworms from Mexico and Central American countries thereby minimizing the risk of spread to the domestic industry. The program expects to start active eradication programs in the southern portions of Nicaragua, all of Costa Rica and Panama. At the end of the first quarter of 1998, Nicaragua is expected to be free of screwworm.

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The technology behind the screwworm program is dependent upon production of sterile insects. Mexico has expressed concern over biohazard risks associated with the present production facility located in Chiapas, Mexico and has asked for the plant's closure. As a result, APHIS intends to fund architectural and engineering work for a sterile screwworm facility, to be built in Panama, from carryover funds available from the screwworm budget line item. The facility is expected to be ready when the screwworm barrier reaches the facility's location.

Buildings and Facilities. An appropriation of \$7.2 million is proposed for maintenance and modernization of APHIS facilities in 1998. Of this amount, \$3.2 million would be provided, in addition to a \$5 million proposal included in the Agricultural Research Service budget, to support continued modernization of the Plum Island Animal Disease Center, Plum Island, New York. General repairs and maintenance on existing buildings would be funded with the remaining \$4 million.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION (GIPSA)

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Salaries and Expenses:			
Grain Inspection Activities	\$11	\$11	\$11
Packers and Stockyards Activities . .	12	12	15
Existing User Fees	34	43	43
Total, GIPSA Program Level	57	66	69
Existing User Fees	-34	-43	-43
New User Fees:			
Grain Standardization	0	0	-4
Capitalization and Start-up Costs . .	0	0	3
Packers and Stockyards Activities . .	0	0	-15
Total, GIPSA Appropriations	\$23	\$23	\$10

GIPSA establishes the official U.S. standards for grain, conducts official weighing and grain inspection activities, and grades rice, dry beans and peas, processed grain products, and hops. The agency also provides assurance for the financial integrity of the livestock, meat, and poultry markets. The agency monitors competition in order to protect

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producers, consumers, and industry from deceptive and fraudulent practices which affect meat and poultry prices.

GIPSA supervises 8 state and 57 designated private agencies for grain inspection and weighing services at domestic locations; provides supervision and other services from 24 field offices; and handles appeals of grain inspection services in Kansas City, Missouri. Packers and Stockyards Programs operate out of 11 field offices. For 1997 and 1998, GIPSA will continue to evaluate the field office structure to determine if additional offices can be closed or consolidated to reduce costs and improve service delivery.

For 1998, the budget proposes a program level for Salaries and Expenses of \$26 million with \$11 million being devoted to grain inspection activities for standardization, compliance, and methods development. The methods development activities include new and improved tests and procedures for determining grain quality, the economic analysis of consequences from changing such procedures, and also determining the criteria and recommending specifications for grain inspection instrumentation. The 1998 budget proposes legislation to authorize the collection of \$4 million in additional user fees to cover costs of grain standardization activities such as developing, reviewing, and maintaining official U.S. grain standards used by the entire grain industry.

The 1998 budget proposes \$15 million for Packers and Stockyards Programs, which includes the following changes:

- an increase of \$0.2 million to enable electronic submission of industry data;
- an increase of \$0.8 million to expand poultry compliance activities;
- an increase of \$1.6 million for monitoring and analyzing packer market competition and implications of structural changes and behavioral practices in the meat packing industry; and
- an increase of \$0.2 million to implement a dealer trust.

The Secretary's Advisory Committee on Agricultural Concentration recently made recommendations to address the issue of concentration in agriculture. The Department has begun reviewing the recommendations and has taken steps to implement some of them. For example, USDA has broadened the coverage of market reports to include the volume of slaughter cattle contracted for sale and expanded reporting to include value-based pricing indicators (premiums and discounts). Other initiatives being considered or under development include several intended to continue improvement of market information and producers' understanding of market forces such as providing information on slaughter by grade and yield on a regional basis. Also, the Packers and Stockyards Program of GIPSA is planning to conduct additional analyses of the effects of concentration on prices in 1997 using data collected for the Packer Concentration study.

MARKETING AND REGULATORY PROGRAMS

The 1998 budget proposes legislation to authorize a dealer trust similar to that of the packer trust. Dealers would be required to establish a trust covering the value of livestock inventories and accounts receivable due from the sale of livestock. Dealer financial failures represent a significant amount of unrecovered losses in the livestock marketing chain.

The 1998 budget also proposes legislation to authorize the collection of license fees to administer the Packers and Stockyards Act (the Act). License fees would be applied to those subject to the Act (i.e., packers, livestock and poultry dealers, and meat buyers) to protect them from unfair and fraudulent marketing practices. The budget includes \$3 million to capitalize a reserve fund and to finance start-up costs.

DEPARTMENTAL ACTIVITIES

DEPARTMENTAL OFFICES

The Departmental offices provide leadership, coordination and support for all administrative and policy functions of the Department. These offices assist program agencies throughout the Department in their efforts to provide efficient and effective service to all USDA customers.

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Departmental Offices:			
Office of the Secretary	\$18	\$11	\$11
Departmental Administration			
Staff Offices	23	25	25
Office of the Chief Financial Officer .	4	4	5
Office of the Chief Information Officer	5	5	5
Office of the General Counsel	28	28	29
Office of the Inspector General	64	63	65
Office of Communications	8	8	8
Executive Operations:			
Office of the Chief Economist	4	4	6
National Appeals Division	12	12	13
Office of Budget and Program			
Analysis	6	6	6
Office of Small and Disadvantaged			
Business Utilization	1	1	1
Total, Executive Operations . .	23	23	26
Total, Departmental Offices	<u>\$173</u>	<u>\$167</u>	<u>\$174</u>

Programmatic increases are discussed below along with a description of the mission of each Departmental office.

Office of the Secretary (OSEC). This account funds the offices of the Secretary and Deputy Secretary and the Under/Assistant Secretaries as they direct and coordinate the work of the Department. These offices provide policy direction for all areas of the Department and maintain a liaison with the Executive Office of the President and members of Congress on matters pertaining to USDA programs. In addition, \$7.5 million for Service Center Implementation was included in the 1996 appropriations to be available until expended. These activities are continuing.

DEPARTMENTAL ACTIVITIES

Departmental Administration (DA) Staff Offices. This account funds activities that provide staff support to top policy officials and overall direction and coordination to the work of the Department. These activities include Departmentwide programs for management of human resources, occupational safety and health, real and personal property, procurement, contracting, supplies, civil rights and equal opportunity, emergency preparedness, and the regulatory hearing and administrative proceedings conducted by the Administrative Law Judges, Judicial Officer, and Board of Contract Appeals.

Within DA, the Policy Analysis and Coordination Center--Civil Rights (PACC--CR) provides Departmentwide leadership, coordination and direction for civil rights in employment and program delivery. In coordination with PACC--CR, the Office of Operations is responsible for civil rights dispute resolution and complaints adjudication. These staffs are also responsible for conducting reviews and evaluations of Department programs and employment practices to ensure civil rights compliance, and a range of activities to ensure the inclusion of minorities, women and individuals with disabilities in the Department's employment and programs.

Beginning in 1996, Departmental Administration implemented a responsive and proactive civil rights program to reduce the complaints backlog and improve the system to ensure the resolution of complaints in a timely manner. In 1997, the Congress increased funding for this area. This activity will continue in 1998.

In 1996, Departmental Administration reorganized to significantly alter its alignment of functions and activities. The previous organizational structure divided the Departmental Administration function into specific program offices, such as personnel, operations, and civil rights enforcement. The current organizational structure divides the functions into policy, program operations, and direct administrative support for Departmental offices. The new organizational structure is intended to be more focused and responsive to customer needs.

Office of the Chief Financial Officer (OCFO). This office is responsible for direction and oversight of the development of financial management structures and systems in USDA. OCFO provides leadership for all financial management, accounting, travel, Federal assistance, and performance measurement activities within the Department, and is responsible for the management and operation of the National Finance Center and the Department's Working Capital Fund. OCFO also provides budget, accounting, and fiscal services to Departmental Administration and secretarial offices, and is coordinating the Department's implementation of the Government Performance and Results Act of 1993. An increase is included to facilitate OCFO's implementation of the provisions of the CFO Act.

Office of the Chief Information Officer (OCIO). OCIO was established pursuant to the Clinger-Cohen Act of 1996 to provide policy guidance, leadership, coordination and direction to USDA's information management and information technology investment activities in support of program delivery.

DEPARTMENTAL ACTIVITIES

Office of the General Counsel (OGC). OGC serves as the legal advisor and counsel for the Secretary and program agencies of the Department. The Office provides legal services for the Department, which include but are not limited to: providing legal advice, representing the Department in administrative proceedings, and assisting the Department of Justice in cases involving USDA. The 1998 proposal includes increases to maintain staff which will enable OGC to efficiently handle the increasing legal issues confronting the Department, especially in the areas of Civil Rights, international trade, National Forest management and personnel issues related to downsizing.

Office of the Inspector General (OIG). OIG conducts and supervises audits and investigations relating to programs and operations of the Department, reviews and makes recommendations on existing and proposed legislation and regulations, and recommends policies and activities to promote economy and efficiency and to prevent and detect fraud and mismanagement in the operations of the Department. The agency also keeps the Secretary and the Congress fully informed about problems and deficiencies relating to the administration of the Department's programs. The proposed increase of \$2.2 million for 1998 provides: \$1.3 million for pay costs and increased law enforcement retirement costs; and \$0.9 million for increased oversight of the USDA Service Center initiative, audits of financial statements, updated ADP software and hardware, audit training and relocation expenses.

Office of Communications (OC). OC provides leadership, expertise, counsel, and coordination on matters related to communication strategies, which are vital to the overall formulation, awareness, and acceptance of USDA programs and policies. OC also serves as the liaison between the Department and the many associations and organizations representing America's food, fiber, and environmental interests. The budget includes a small increase to fund a Departmentwide effort to bring information and services to underserved client populations such as Native Americans, African Americans, Hispanics, and Asian Americans. This initiative will allow these groups to be more informed about specific USDA programs and services and support more knowledgeable interaction with the Department.

Executive Operations. Executive Operations provides a support team for the Office of the Secretary/Deputy Secretary. This team includes the Chief Economist, the National Appeals Division, the Office of Budget and Program Analysis and the Office of Small and Disadvantaged Business Utilization.

- Office of the Chief Economist. The Chief Economist advises the Secretary on policies and programs related to U.S. agriculture and rural areas, provides objective analysis on the impacts of policy options on the agricultural and rural economy, and participates in planning and development programs to improve the Department's forecasts, projections, and policy analysis capabilities. Activities under the Office of the Chief Economist include the World Agricultural Outlook Board (WAOB), the Office of Risk Assessment and Cost-Benefit Analysis (ORACBA), and coordination of sustainable development activities of the Department. The WAOB serves as the single focal point for the Nation's economic

DEPARTMENTAL ACTIVITIES

intelligence related to domestic and international food and agriculture projections, and coordinates the clearance of all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the Department. ORACBA coordinates and reviews all risk assessments and cost-benefit analyses prepared in the Department in support of major regulations whose primary purpose is to regulate issues of human health, human safety, or the environment, and publishes these assessments and analyses for the public. The Office of the Chief Economist coordinates the Department's sustainable development activities, which include the social, economic, and environmental aspects of agriculture and rural development.

The 1998 budget provides an increase of \$0.5 million for modernization of automated capability to allow for weather and climate data access from the National Weather Service. The proposal also includes \$0.4 million for the national agricultural weather observing network. This network, to be operated in partnership with state agencies, universities and the private sector, will provide the comprehensive data needed to serve the needs of farmers and land managers and to expedite decisions at the Federal level affecting agricultural commodity trade and markets, fire weather management, and ecosystem conservation. The budget also provides \$1.1 million to fund the Commission on 21st Century Production Agriculture as authorized by the 1996 Farm Bill. The Commission will conduct a comprehensive review and assessment of the 1996 Farm Bill and a review of the future of production agriculture in the U.S. and the appropriate role of the Federal Government in support of production agriculture.

- National Appeals Division (NAD). NAD is responsible for making final determinations on all administrative appeals of program decisions rendered by the Farm Service Agency, the Rural Housing Service, the Rural Business-Cooperative Service, the Rural Utilities Service, and the Natural Resources Conservation Service. An increase of \$1.5 million is requested for four initiatives: (1) NAD's current limited appeals tracking system will be improved and expanded in order to accommodate the status of all NAD appeals, as well as provide other important information about the appeal. (2) An automated precedent system will be developed to establish a mechanism which could be utilized by all NAD hearing and review officers to ensure consistency in NAD determinations. (3) Employee development is needed to ensure efficient, quality service to the appellants. Training of all hearing officers in the varied programs administered by NAD is also needed to ensure that hearing officers keep up-to-date on all program elements. (4) The purchase of modern computer equipment is necessary to ensure NAD employees are able to provide quality internal and external customer service in an efficient manner.
- Office of Budget and Program Analysis (OBPA). OBPA provides direction and administration of the Department's budgetary functions; reviews program and legislative proposals for program and budget related implications; analyzes program resource issues and alternatives; and provides Departmentwide

DEPARTMENTAL ACTIVITIES

coordination for and participation in the presentation of budget related matters to the committees of the Congress, the news media and the public. OBPA also provides Departmentwide coordination of the preparation and processing of the legislative program, legislative reports and regulations.

- Office of Small and Disadvantaged Business Utilization (OSDBU). OSDBU provides Departmentwide guidance for agency procurement to assure maximum participation of small and disadvantaged businesses in the Department's contracts for goods and services; and directs and monitors USDA agencies' compliance in promoting full and open competition in the Department's contracting process.

CENTRALIZED ACTIVITIES

The Department has a number of centralized activities which have separate appropriations. These centrally managed operations provide efficient, economical services through economies of scale and management attention for the benefit of all participating agencies. The following activities are managed by the Departmental staff offices or coordinated at the Departmental level.

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Centrally Financed Activities:			
Agriculture Buildings and Facilities . .	\$135	\$144	\$131
Hazardous Waste Management	16	16	25
Advisory Committees	1	a/	a/
Trust Funds	1	1	1
Total, Centralized Activities	<u>\$153</u>	<u>\$161</u>	<u>\$157</u>

- a/ The General Provisions of the 1997 Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act permits agencies funded in the Act to finance advisory committees from their own funds, subject to a limitation on total obligations for these committees. The 1998 budget proposes deletion of the limitation on advisory committee spending.

Agriculture Buildings and Facilities. The Department's Strategic Space Plan for buildings and facilities is based on projected reductions in staff at Washington headquarters over the next five years. In 1998, the Department is requesting \$131 million for its facilities programs. The major component is \$99 million for rental payments to the General Services Administration (GSA). Another component of the request is \$25 million for the

DEPARTMENTAL ACTIVITIES

operation and maintenance of the headquarters complex including the new Beltsville facility and increased security measures for the Headquarters complex.

The modernization plan, which is being implemented, will provide safe, dependable, cost-effective facilities for USDA Washington area staff into the next century. This plan includes the Beltsville Office facility and the renovation of the South Building, which is over 60 years old and in need of modernization to correct health and safety hazards and provide modern facilities. The Beltsville facility should be complete in December 1997 and occupied in January 1998. The first phase of the South Building renovation will begin in 1997. The 1998 request includes \$5 million which will be used to upgrade utility services for the building. This work is planned to include electrical, plumbing, telecommunications, chilled water, and steam system improvements. The specific project(s) will be identified during 1997 and will be completed using the requested funds.

As a result of expiring leases in the Washington area, as many as six agencies will be relocating during 1998. Therefore, \$2.7 million is included in this central account to cover the necessary moving costs for those agencies.

Hazardous Waste Management. The budget proposes \$25 million to continue funding for Hazardous Waste Management. Resources from the central account are allotted to agencies according to priority needs. USDA agencies are responsible for hazardous waste clean-up activities and agency funds, as well as funds from this appropriation, are used to cover the costs associated with these activities. The Department's hazardous waste management program works to identify, assess, contain and clean up hazardous waste sites in areas covered by programs of the Department or within Departmental jurisdiction. The program is designed to promote facility compliance under the requirements of the Comprehensive Environmental Response, Compensation and Liability Act and the Resource Conservation and Recovery Act. These Acts require Federal agencies to meet the same standards for storage and disposition of hazardous waste as private businesses.

The funds will be directed to priority sites which have been identified based on risk to public health and the environment as well as assuring the Department's compliance with applicable environmental laws.

Fund for Rural America

The 1996 Farm Bill established the Fund for Rural America to provide support to rural communities across the United States and provided that \$100 million be made available on January 1, 1997 for the Fund. The Secretary of Agriculture is authorized to allocate the available funding between rural development and research activities. The Act specifies that at least one-third of the funds be allocated to rural development activities and one-third to research activities. The Department's 1998 budget includes a proposal to make available in 1998 the \$100 million originally provided in 2000 by the 1996 Farm Bill.

In 1997, \$47 million of the available funding will be used to support rural development activities including Water and Waste Disposal loans and grants, Section 502 Single Family Housing Loans, the Distance Learning/Medical Link programs and other rural development loans and grants. Another \$46 million will be used to provide research, extension, and education grants. Of this \$46 million, \$33.3 million will be allocated to projects designed to: 1) increase international competitiveness, profitability and efficiency; 2) enhance the economic standing of rural communities; and 3) improve environmental stewardship. An additional \$10 million will be allocated to research activities which focus specifically on the development of methods to counter increasing concentration within the livestock and poultry industries, improvement in the food safety arena with specific emphasis on assisting small business establishments to achieve the new HACCP/Pathogen reductions, identification of the disease prevention potential of various foods, and the promotion of gleaning and food recovery efforts. The remaining \$3 million will be used to fund a new research initiative to address barriers to the full implementation of cutting edge telecommunications technology in rural America. Finally, \$7 million will be used to fund additional loans under the Beginning Farmer Loan program and additional grants for Outreach for Socially Disadvantaged Farmers.

APPENDIX

FUND FOR RURAL AMERICA

FY 1997

(Dollars in Millions)

Program	Budget Authority	Program Level
Rural Development Activities:		
Section 502 Housing Loans	\$20.0	\$141.0
Water and Waste Disposal Direct Loans	0.8	8.4
Rural Water and Waste Disposal Grants	8.4	8.4
Distance Learning and Medical Link Grants	6.5	6.5
Rural Business Enterprise Grants	6.5	6.5
Farm Labor Housing Loans	1.0	2.0
Farm Labor Housing Grants	1.0	1.0
Alternative Agricultural Research & Commercialization	0.5	0.5
Cooperative Development Services	1.7	1.7
EZ/EC Technical Assistance	1.0	1.0
 Total, Rural Development Activities	 47.4	 177.0
Research, Extension and Education Grants:		
Agricultural Research	43.3	43.3
Telecommunications Infrastructure Research	2.8	2.8
 Total, Research, Extension and Education Grants	 46.1	 46.1
Other:		
Outreach for Socially Disadvantaged Farmers	4.5	4.5
Beginning Farmer Loan Programs	2.0	9.5
 Total, Other	 6.5	 14.0
 TOTAL	 \$100.0	 \$237.1

Note: The 1998 budget includes a proposal to shift the \$100 million provided in 2000 to 1998.

APPENDIX

Integrated Pest Management and Related Programs

The USDA Strategic Plan for Integrated Pest Management (IPM) calls for the implementation of IPM practices on 75 percent of U.S. crop acreage by the year 2000. The IPM plan is an effort to coordinate the USDA research and extension programs with regional or State cooperators and producers who will implement IPM production practices. The Plan features close collaboration among USDA agencies and land grant universities and with producers and the Environmental Protection Agency (EPA). Priorities are established through a local/regional planning process with input from producers. This strategic effort is supported by a USDA-EPA Memorandum of Understanding (MOU) for critical pest control technologies. Key components of the initiative follow:

Agricultural Research Service. Consistent with priorities established through the local/regional process outlined in the plan, ARS will establish areawide pest management approaches in cooperation with other agencies and private entities. An increase of \$1 million for areawide pest management pilot studies would support projects such as codling moth on tree fruits, corn rootworm, pink bollworm and tobacco budmoth on cotton, and potato insects.

Cooperative State Research, Education, and Extension Service. CSREES is responsible for organizing implementation teams that involve growers, researchers, educators, and practitioners in identifying their most important problems and setting priorities for research and education programs that will meet their field implementation needs. Phase I of the 2-phase strategy -- Planning -- has been completed by 23 multi-party teams. These teams are now ready to move into Phase II -- Implementation. The budget requests \$4.2 million for 19 Phase II grants. Phase II projects will be supported at an average annual level of \$500,000 for 3 to 6 years. Awards will be competitive based on a request for proposals developed in close consultation with the land grant university system and the USDA IPM Program.

CSREES will continue to support IPM research through a regional system of competitive awards to develop improved pest management systems which is proposed at \$8 million, and will support IPM extension under the formula components of the 3(d) program.

CSREES also proposes an increase of \$2.6 million for the Pest Management Alternatives Program competitive research grants to develop alternative pest controls for crop-pest combinations where only a limited number of options are available. As appropriate, funds will be targeted to cases where pesticides are under EPA review for possible actions to limit their availability. This program directly addresses the MOU committing USDA and EPA to work proactively where regulatory action by EPA would reduce farmer competitiveness and limit producers' ability to adopt practices such as IPM. The development of an Expert IPM Decision Support System, currently underway, will be used interactively with State NAPIAP liaisons and IPM coordinators to identify crop-pest combinations for which there are no viable alternatives.

APPENDIX

Economic Research Service. ERS will support the IPM initiative through project and overall program evaluation and analysis of National Agricultural Statistics Service (NASS) survey data on pesticide use and IPM implementation.

National Agricultural Statistics Service. NASS will continue to collect and analyze data on participation of farmers in IPM programs and to expand pesticide use data collection sufficiently to accurately estimate total agricultural pesticide use on a national basis. These data will be used to measure progress in IPM adoption and to provide total agricultural pesticide use on a national basis. The **Agricultural Marketing Service** will continue to coordinate the program conducted with EPA to assist producers and applicators in meeting their recordkeeping responsibilities.

Finally, there are several programs conducted to facilitate the movement of high priority pest controls through the EPA pesticide registration process. USDA agencies provide critical assistance in assuring the availability of adequate **pest management tools for minor crops**, which include most fruits and vegetables, through the IR-4 pesticide clearance program by funding necessary field trials and laboratory analysis. The proposed increase of \$5 million will help eliminate a backlog of data needed for new registrations to replace materials that are no longer effective or where registrations have been canceled through regulatory actions and to meet new deadlines and other provisions imposed by the Food Quality Protection Act.

The Department also assists the re-registration process through the **National Agricultural Pesticide Impact Assessment Program** (NAPIAP), a program of information gathering and analysis on the benefits of current uses of agricultural pest control materials and the economic consequences of alternative materials and/or management practices.

In addition, CSREES is requesting funds for the **Pesticide Applicator Training Program**. An increase of \$1.5 million will support a collaborative program with EPA to provide education and training programs to educate restricted-use pesticide users on safe and environmentally sound methods of pesticide application.

Application of IPM strategies on public and private lands is supported by a number of USDA programs. NRCS administers the Environmental Quality Incentives Program (EQIP), which incorporates the objectives of the Agricultural Conservation Program. Through EQIP, cost-share, technical, and educational assistance is provided to producers to help them install conservation systems designed to address serious natural resource problems that impact soil, water, and related resources, including grazing lands, wetlands, and wildlife habitat management. The Forest Service (FS) and the Animal and Plant Health Inspection Service utilize IPM strategies wherever possible for pest control on public and private lands, and FS cooperates with States and private landowners in providing pest protection on forest land.

APPENDIX

Integrated Pest Management and Related Programs

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
IPM Initiative -- Research and Extension to address producer-identified needs			
CSREES:RE IPM Research Grant Prog. .	\$3	\$3	\$8
CSREES:RE Pest Management Alternatives	2	2	4
CSREES:RE Expert IPM Decision Support System	a/	a/	a/
CSREES:Ext. IPM application	11	11	15
ARS Areawide IPM Research	4	6	7
ERS IPM Research	1	1	1
Total, IPM Initiative	20	22	35
Ongoing Research and Application Programs -- IPM and Biocontrol			
CSREES:RE NRI, Formulas, other b/ . . .	35	46	42
ARS Research	62	66	69
FS-IPM Research	9	9	9
ERS Research	a/	a/	a/
Total, Ongoing Research	107	122	120
APHIS Application	30	34	34
NRCS/FSA IPM Application	7	7	10
FS-IPM Application	20	7	19
Total, Application	56	48	63
Pesticide Use Data Collection and Analysis			
NASS Pesticide use surveys	4	6	6
ERS Pesticide use analysis	2	2	2
AMS-Pesticide recordkeeping	2	3	3
Total, Data Collection and Analysis . . .	7	10	10
Pesticide Registration, Clearance, Assessment, Training			
ARS-Minor use clearance (IR-4)	2	2	2
CSREES:RE Minor crop pest mgmt (IR-4)	6	6	11
ARS/CSREES/ERS/FS NAPIAP	6	6	6
CSREES:Ext. Pesticide Applicator Training	0	0	2
Total, Pesticide Registration	15	15	21
Total, IPM and Related Programs . .	\$204	\$216	\$249

a/ Less than \$0.5 million.

b/ The estimate for 1997 includes 1996 NRI grants funding to be awarded in 1997, as well as 1997 estimated awards.

APPENDIX

Programs to Support 1890 Institutions and Other Historically Black Colleges and Universities

The Federal Government has had a longstanding policy of providing support to Historically Black Colleges and Universities (HBCUs). President Clinton issued E.O. 12876 in November 1993 calling on departments and agencies to reach out to HBCUs. The Department of Agriculture continues to give high priority to programs and activities carried out at the 1890 Institutions and Tuskegee University, the 17 Historically Black land grant institutions in the Southern States and to other HBCUs. Formula grants for research and extension represent a significant part of the USDA support for these institutions.

The 1890 Capacity Building Grants program, which is funded at the 1997 level, is the cornerstone of the Department's successful partnership with the 1890 land grant universities. In the 7 years from 1990 through 1996, over \$62 million has been awarded for 285 research and teaching projects, each of which features an active, cooperative relationship with one or more USDA agencies.

The 1998 budget also includes a proposal to continue the program of construction grants for research, extension and teaching facilities.

USDA agencies have given high priority to establishing mutually beneficial partnerships with 1890 institutions to conduct a wide range of programs and activities. These partnerships provide the basis for centers of excellence which are on-campus entities dedicated, in part, to addressing specific USDA agency program needs. Eleven such centers have been established with funds available through 1997. In 1996, \$4 million was provided in support of these centers.

Plans are underway for new centers to be initiated during 1997 and 1998, including food safety work at Tuskegee University, a center on community development and disadvantaged communities at South Carolina State University, and an ARS center at Langston University for research on grazing lands.

The 1996 Farm Bill specifies that the 1890 Institutions are eligible to apply for and receive directly new and increased funds made available after September 30, 1995, to carry out programs or initiatives under Section 3(d) of the Smith-Lever Act. An increase of \$2.46 million has been requested in the 1998 CSREES budget for the Children, Families, and Youth at Risk program, of which \$1.7 million will be targeted to the 1890 Institutions.

APPENDIX

Programs to Support 1890 Institutions and Other Historically Black Colleges and Universities

Program Level
(Dollars in Millions)

Program	1996 Actual	1997 Current Estimate	1998 Budget
Cooperative State Research, Education and Extension Service:			
Evans-Allen formula	\$28	\$28	\$28
Extension formula	25	25	25
Research and teaching			
capacity building grants	9	9	9
Facility grants	8	8	8
Children, Youth, and Families at Risk .	0	0	2
Other cooperative research			
and extension	5	4	3
Total	75	74	75
Agricultural Research Service	2	2	3
Forest Service	3	3	3
Natural Resources Conservation			
Service	3	4	5
Rural Development	3	1	3
Farm Service Agency	1	1	1
Other Agencies	3	3	3
Total	\$90	\$88	\$93

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE

Budget Authority
(Dollars in Millions)

Agency	1996 Actual	1997 Current Estimate	1998 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency	\$1,869	-\$84	-\$125
Commodity Credit Corporation Programs	5,274	8,793	9,799
Risk Management Agency	1,650	1,849	1,828
Foreign Agricultural Service	121	132	148
P.L. 480	502	479	484
RURAL DEVELOPMENT			
Rural Utilities Service	667	30	-469
Rural Housing Service	1,792	1,141	515
Rural Business-Cooperative Service	122	92	52
Rural Community Advancement Program	0	0	689
Alternative Ag Research & Commercialization	6	7	10
FUND FOR RURAL AMERICA	0	100	100
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Consumer Service	39,746	40,885	40,673
Section 32 Funds	588	433	461
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service	962	832	821
Forest Service	3,254	3,368	3,167
FOOD SAFETY			
Food Safety and Inspection Service	549	579	206
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service	751	801	801
Cooperative State Research, Education, and Extension Service	913	915	845
Economic Research Service	53	53	54
National Agricultural Statistics Service	81	100	120
MARKETING AND REGULATORY PROGRAMS			
Agricultural Marketing Service	160	152	163
Animal and Plant Health Inspection Service	466	480	469
Grain Inspection, Packers & Stockyards Administration ..	23	23	10
DEPARTMENTAL ACTIVITIES			
Office of the Secretary	16	9	9
Executive Operations	22	22	27
Office of the Chief Financial Officer	4	4	5
Office of the Chief Information Officer	5	5	5
Departmental Administration	23	26	25
Hazardous Waste Management	16	16	25
Agriculture Buildings and Facilities	136	144	131
Advisory Committees	1	0	0
Office of Communications	8	8	8
Office of the Inspector General	64	63	65
Office of the General Counsel	28	28	29
Gifts and Bequests	1	1	1
Subtotal	59,873	61,476	61,151
Offsetting Receipts	-1,139	-861	-876
TOTAL, U.S. DEPARTMENT OF AGRICULTURE	\$58,734	\$60.615	\$60,275

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE Discretionary Programs - Budget Authority (Dollars in Millions)

Agency	1997 Estimate	1998 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES		
Farm Service Agency:		
Agricultural Credit Insurance Fund	\$384	\$318
Grants	2	4
Conservation Programs	25	0
Salaries and Expenses	746	743
Commodity Credit Corporation	4	-6
Total, FSA	1,161	1,059
Risk Management Agency	64	218
Foreign Agricultural Service	131	147
P.L. 480	1,019	967
Total, FAS	1,214	1,332
Total, FFAS	2,375	2,391
RURAL DEVELOPMENT		
Rural Utilities Service:		
Grants and Payments	510	21
Program and Liquidating Accounts	139	66
Salaries and Expenses	33	33
Total, RUS	682	120
Rural Housing Service:		
Grants and Payments	587	666
Program Accounts	569	580
Salaries and Expenses	61	59
Total, RHS	1,217	1,305
Rural Business-Cooperative Service:		
Grants and Payments	45	3
Program Accounts	26	26
Alternative Ag Research & Commercialization	7	10
Salaries and Expenses	25	27
Total, RBS	103	66
Rural Community Advancement Program	0	689
Total, RD	2,002	2,180
FOOD, NUTRITION, AND CONSUMER SERVICES		
Food and Consumer Service:		
WIC	3,830	4,108
Commodity Assistance Program	307	272
Other	0	32
Food Program Administration	106	106
Total, FCS	4,243	4,518

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE Discretionary Programs - Budget Authority--Continued (Dollars in Millions)

Agency	1997 Estimate	1998 Budget
NATURAL RESOURCES AND ENVIRONMENT		
Natural Resources Conservation Service	832	821
Forest Service	2,597	2,381
Total, NRE	3,429	3,202
FOOD SAFETY		
Food Safety and Inspection Service	574	201
RESEARCH, EDUCATION, AND ECONOMICS		
Agricultural Research Service	786	786
Cooperative State Research, Education, and Extension Service	915	845
Economic Research Service	53	54
National Agricultural Statistics Service	100	120
Total, REE	1,854	1,805
MARKETING AND REGULATORY PROGRAMS		
Agricultural Marketing Service	40	51
Animal and Plant Health Inspection Service	438	421
Grain Inspection, Packers & Stockyards Administration .	23	10
Total, MRP	501	482
DEPARTMENTAL ACTIVITIES		
Office of the Secretary	9	9
Office of the Chief Economist	4	6
National Appeals Division	12	13
Office of Budget and Program Analysis	6	6
Office of Small and Disadvantaged Business Utilization	1	1
Office of the Chief Financial Officer	4	5
Office of the Chief Information Officer	5	5
Departmental Administration	26	25
Office of Communications	8	8
Office of the Inspector General	63	65
Office of the General Counsel	28	29
Agriculture Buildings and Facilities	144	131
Hazardous Waste Management	16	25
Receipts	-5	-5
TOTAL, DISCRETIONARY BUDGET AUTHORITY	\$15,298	\$15,103

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE

Outlays
(Dollars in Millions)

Agency	1996 Actual	1997 Current Estimate	1998 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES			
Farm Service Agency	\$1,932	\$138	\$57
Commodity Credit Corporation Programs	4,646	7,766	9,900
Risk Management Agency	1,769	1,789	1,826
Foreign Agricultural Service	101	123	142
P.L. 480	512	711	478
RURAL DEVELOPMENT			
Rural Utilities Service	-571	59	-466
Rural Housing Service	1,442	1,187	560
Rural Business-Cooperative Service	59	118	55
Alternative Agric. Res. & Comm. Corp	9	8	8
Rural Community Advancement Program	0	0	680
FUND FOR RURAL AMERICA	0	25	65
FOOD, NUTRITION, AND CONSUMER SERVICES			
Food and Consumer Service	37,383	37,428	38,761
Section 32 Funds	450	467	406
NATURAL RESOURCES AND ENVIRONMENT			
Natural Resources Conservation Service	1,062	1,113	895
Forest Service	3,416	3,508	3,220
FOOD SAFETY			
Food Safety and Inspection Service	537	577	206
RESEARCH, EDUCATION, AND ECONOMICS			
Agricultural Research Service	739	780	791
Cooperative State Research, Education, and Extension Service	851	907	905
Economic Research Service	50	53	54
National Agricultural Statistics Service	78	97	118
MARKETING AND REGULATORY PROGRAMS			
Agricultural Marketing Service	158	150	155
Animal and Plant Health Inspection Service	488	466	481
Grain Inspection, Packers & Stockyards Administration .	26	23	10
DEPARTMENTAL ACTIVITIES			
Office of the Secretary	7	12	11
Executive Operations	19	22	27
Office of the Chief Financial Officer	4	4	5
Office of the Chief Information Officer	5	5	5
Departmental Administration	30	25	26
Hazardous Waste Management	15	16	22
Agriculture Buildings and Facilities	116	139	150
Advisory Committees	1	0	0
Office of Communications	10	8	8
Office of the Inspector General	62	63	65
Office of the General Counsel	28	27	28
Gifts and Bequests	1	1	1
Working Capital Fund	48	0	0
Subtotal	55,483	57,815	59,655
Offsetting Receipts	-1,139	-861	-876
TOTAL, U.S. DEPARTMENT OF AGRICULTURE	<u>\$54,344</u>	<u>\$56,954</u>	<u>\$58,779</u>

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE Discretionary Programs - Outlays (Dollars in Millions)

Agency	1997 Estimate	1998 Budget
FARM AND FOREIGN AGRICULTURAL SERVICES		
Farm Service Agency:		
Agricultural Credit Insurance Fund	\$370	\$321
Grants	2	3
Conservation Programs	158	36
Salaries and Expenses	772	743
Commodity Credit Corporation	4	-6
Total, FSA	1,306	1,097
Risk Management Agency	60	147
Foreign Agricultural Service	122	141
P.L. 480 Programs	1,256	998
Total, FAS	1,378	1,139
Total, FFAS	2,744	2,383
RURAL DEVELOPMENT		
Rural Utilities Service:		
Grants and Payments	482	-6
Program Accounts	284	133
Salaries and Expenses	32	29
Total, RUS	798	156
Rural Housing Service:		
Grants and Payments	78	77
Program Accounts	1,181	1,163
Salaries and Expenses	50	51
Total, RHS	1,309	1,291
Rural Business-Cooperative Service:		
Grants and Payments	48	3
Program Accounts	47	31
Alternative Ag Research & Commercialization	8	8
Salaries and Expenses	28	28
Total, RBS	131	70
Rural Community Advancement Program	0	680
Total, RD	2,238	2,197
FOOD, NUTRITION, AND CONSUMER SERVICES		
Food and Consumer Service:		
WIC	3,860	3,997
Commodity Assistance Program	342	276
Other	0	27
Food Program Administration	106	106
Total, FCS	4,308	4,406

APPENDIX

UNITED STATES DEPARTMENT OF AGRICULTURE Discretionary Programs - Outlays--Continued (Dollars in Millions)

Agency	1997 Estimate	1998 Budget
NATURAL RESOURCES AND ENVIRONMENT		
Natural Resources Conservation Service	1,013	868
Forest Service	2,682	2,440
Total, NRE	3,695	3,308
FOOD SAFETY		
Food Safety and Inspection Service	572	201
RESEARCH, EDUCATION, AND ECONOMICS		
Agricultural Research Service	767	777
Cooperative State Research, Education, and Extension Service	907	905
Economic Research Service	53	54
National Agricultural Statistics Service	97	118
Total, REE	1,824	1,854
MARKETING AND REGULATORY PROGRAMS		
Agricultural Marketing Service	40	45
Animal and Plant Health Inspection Service	429	434
Grain Inspection, Packers & Stockyards Administration	23	10
Total, MRP	492	489
DEPARTMENTAL ACTIVITIES		
Office of the Secretary	12	11
Office of the Chief Economist	4	6
National Appeals Division	12	13
Office of Budget and Program Analysis	6	6
Office of Small and Disadvantaged Business Utilization	0	1
Departmental Administration	25	26
Office of the Chief Financial Officer	4	5
Office of the Chief Information Officer	5	5
Office of Communications	8	8
Office of the Inspector General	63	65
Office of the General Counsel	27	28
Agriculture Buildings and Facilities	139	150
Hazardous Waste Management	16	22
Receipts	-5	-5
TOTAL, DISCRETIONARY OUTLAYS	<u>\$16,189</u>	<u>\$15,180</u>

APPENDIX

United States Department of Agriculture Staff Years

	1993 Ceiling	1994	1995	1996	1997	1998	2002	Change 1993 - 2002 Amount	Percent
Farm Service Agency	7,490	7,009	6,505	6,281	6,146	5,877	5,877	-1,613	-21.5%
Risk Management Agency	800	752	658	536	580	623	623	-177	-22.1%
Foreign Agricultural Service	923	906	907	885	885	885	793	-130	-14.1%
Rural Utilities Service	890	891	850	765	785	783	692	-198	-22.2%
Rural Housing Service	8,221	7,869	7,233	6,910	6,588	6,232	5,508	-2,713	-33.0%
Rural Business - Cooperative Service	435	425	398	338	347	345	305	-130	-29.9%
Food and Consumer Service	2,008	1,932	1,867	1,806	1,806	1,800	1,800	-208	-10.4%
Natural Resources Conservation Service ..	13,790	13,317	12,163	11,839	12,200	12,048	12,048	-1,742	-12.6%
Forest Service	43,006	40,574	38,330	37,205	37,184	36,800	36,800	-6,206	-14.4%
Food Safety and Inspection Service	9,948	10,109	10,088	9,758	9,951	9,900	9,900	-48	-0.5%
Agricultural Research Service	8,423	7,950	7,618	7,614	7,800	7,614	7,535	-888	-10.5%
Coop. State Research, Education & Extension Service	408	424	386	380	399	380	380	-28	-6.9%
Economic Research Service	788	717	625	591	591	591	552	-236	-29.9%
National Agricultural Statistics Service	1,487	1,345	1,214	1,047	1,130	1,300	1,056	-431	-29.0%
Agricultural Marketing Service	4,026	3,955	3,842	3,644	3,806	3,580	3,538	-488	-12.1%
Animal and Plant Health Inspection Service	6,544	6,623	6,295	6,187	6,444	6,095	5,890	-654	-10.0%
Grain Inspection, Packers and Stockyards Administration	936	867	812	808	873	854	850	-86	-9.2%
Office of the Secretary	83	72	64	66	81	83	74	-9	-10.8%
Office of the Chief Economist	45	36	37	37	47	56	54	9	20.0%
National Appeals Division	152	151	132	132	138	138	134	-18	-11.8%
Office of Budget and Program Analysis ..	76	72	71	72	72	70	68	-8	-10.5%
Office of Small and Disadvantaged Bus. Util.	10	9	10	10	10	10	10	0	0.0%
Office of the Chief Financial Officer	1,219	1,287	1,242	1,230	1,210	1,175	1,175	-44	-3.6%
Office of the Chief Information Officer	278	261	259	242	246	240	240	-38	-13.7%
Departmental Administration	769	753	670	667	652	643	643	-126	-16.4%
Office of the Inspector General	850	825	777	754	754	762	699	-151	-17.8%
Office of the General Counsel	420	402	368	353	353	370	333	-87	-20.7%
Office of Communications	150	135	127	123	123	122	122	-28	-18.7%
Subtotal, USDA	114,175	109,668	103,547	100,280	101,201	99,376	97,699	-16,476	-14.4%
Thrift Savings Plan	367	397	408	430	455	490	490	123	33.5%
Total, USDA, Federal	114,542	110,065	103,955	100,710	101,656	99,866	98,189	-16,353	-14.3%
FSA, Non-Federal County	14,953	14,176	13,432	12,738	11,729	9,879	4,879	-10,074	-67.4%
Total, USDA	129,495	124,241	117,387	113,448	113,385	109,745	103,068	-26,427	-20.4%

APPENDIX

1997 Supplementals (Dollars in Millions)

Agency and Program	Budget Authority
Food, Nutrition, and Consumer Services	
Food and Consumer Service:	
Child Nutrition Programs:	
Nutrition, Education, and Training Program	\$6
<ul style="list-style-type: none">This supplemental would provide \$6.25 million for the Nutrition Education and Training Program for 1997 and would reduce the limitation for the Emergency Food Assistance Program commodities authorized under section 27(a) of the Food Stamp Act from \$100 million to \$93.75 million.	
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	100
<ul style="list-style-type: none">This supplemental would provide additional funds to ensure that eligible program participants are not denied benefits. The 1997 funds are insufficient to support the current caseload. WIC program funding regulations require that first priority for funding go to provide all State agencies with stability funding, which is each State agency's prior year food grant plus inflation. As the funds needed to maintain participation in some States may be greater than the grants provided by 1997 appropriations, the Department will need flexibility in allocating the supplemental funding. This flexibility will ensure that the Secretary allocates funds with the goal of maintaining participation and removing the fewest number of people from the program.	
Total, 1997 Supplementals	<u>\$106</u>

APPENDIX

1997 Rescission (Dollars in Millions)

Agency and Program	Budget Authority
Farm and Foreign Agricultural Services	
Foreign Agricultural Service:	
P.L. 480 Concessional Sales —Title I	-\$50
<ul style="list-style-type: none">• This proposal reduces subsidy budget authority contained in the direct credit account by \$46.5 million and budget authority for ocean freight differential payments by \$3.5 million. This rescission partially offsets proposed 1997 supplemental funding for WIC.	

APPENDIX

1998 Budget Related Proposed Legislation (Dollars in Millions)

Agency and Program	Budget Authority
Farm and Foreign Agricultural Services	
Farm Service Agency:	
Commodity Credit Corporation:	
Conservation Reserve Program	-\$25
<ul style="list-style-type: none">This proposal would amend current Conservation Reserve Program haying and grazing provisions to permit haying and grazing on CRP acreage once every three years in exchange for a 50 percent reduction in the contract rental payment. These savings are proposed to offset the Administration's proposal to strengthen the farm program safety net.	
Risk Management Agency:	
Administrative and Operating Expenses	-53
Federal Crop Insurance Corporation Fund	26
<ul style="list-style-type: none">This proposal would improve the safety net for farmers by expanding the revenue insurance program from its current pilot status to a nationwide program. Revenue insurance seeks to provide income protection to producers by offering price and yield guarantees. This expansion would increase the crop insurance fund by \$26 million but would also increase the delivery expenses paid by the Administrative and Operating Expenses account. To offset the additional delivery expenses associated with expanding revenue insurance and provide reimbursements to private insurance companies that are in keeping with recent analyses by RMA and GAO, it is proposed to limit reimbursements paid to private insurance companies. This proposal, combined with the proposal to reduce the loss ratio, would reduce delivery expenses by \$53 million. The CRP haying and grazing proposal would offset the costs of an expanded insurance program.	

APPENDIX

1998 Budget Related Proposed Legislation--Continued (Dollars in Millions)

Agency and Program	Budget Authority
Food, Nutrition, and Consumer Services	
Food and Consumer Service:	
Food Stamp Program	845
<ul style="list-style-type: none">This proposal would restore Food Stamps for those looking for, but who cannot find a job as well as providing States with new funding to support an expanded work program with rigorous requirements and tough sanctions. The proposal would also continue to provide legal immigrants with benefits until the period August 1 to September 30, 1997; increase and index the shelter deduction and vehicle asset limit; and index the standard deduction.	
Fund for Rural America	100
<ul style="list-style-type: none">This proposal would authorize funding for the Fund in 1998. The 1996 Farm Bill authorized funding in 1997, 1999, and 2000. The Budget proposes to shift the \$100 million available in 2000 to 1998 in order to facilitate more consistent and efficient program delivery.	
Food Safety	
Food Safety and Inspection Service	-390
<ul style="list-style-type: none">This proposal would allow fees to be charged for the salaries, benefits and related costs associated with in-plant inspection of meat, poultry, and egg products at all establishments inspected by the agency.	

APPENDIX

1998 Budget Related Proposed Legislation--Continued (Dollars in Millions)

Agency and Program	Budget Authority
Natural Resources and Environment	
Forest Service	-16
<ul style="list-style-type: none">This proposal would authorize the Forest Service to charge user fees for the Recreation Fee Demonstration Project. This project has been implemented to test the collection, retention, and reinvestment of new recreation admission and user fees. This proposal would also permit the Forest Service to use the fees collected to offset the costs of maintaining recreation areas.	
Marketing and Regulatory Programs	
Agricultural Marketing Service	(-11)
<ul style="list-style-type: none">This proposal would convert funding for the Federal administration of marketing agreements and orders from Section 32 funds to increased assessments on producers and handlers benefitting from marketing agreements and orders.	
Animal and Plant Health Inspection Service	-10
<ul style="list-style-type: none">This proposal would establish user fees for costs for animal welfare inspections; for issuance of biotechnology certificates; for veterinary biologics licensing, inspection and testing activities; for activities associated with control and eradication of pink bollworm; and inspections of facilities to comply with the garbage cooking requirements of the Swine Health Protection Act.	

APPENDIX

1998 Budget Related Proposed Legislation--Continued (Dollars in Millions)

Agency and Program	Budget Authority
Grain Inspection, Packers and Stockyards Administration . .	-16
<ul style="list-style-type: none">This proposal would establish a fee for the standardization activities; a licensing fee to cover the costs of administering meat packing and stockyards activities; and a statutory dealers trust.	
Total, 1998 Proposed Legislation	<u>\$461</u>

